87-1487

Supreme Court, U.S.
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Nos. _____

IN THE

Supreme Court of the United States

OCTOBER TERM, 1987

OFFICE OF COMMUNICATION OF
THE UNITED CHURCH OF CHRIST,
Petitioner,

v.

FEDERAL COMMUNICATIONS COMMISSION and
UNITED STATES OF AMERICA, *et. al.*,
Respondents.

NATIONAL ASSOCIATION OF BROADCASTERS,
Petitioner,

v.

CENTURY COMMUNICATIONS CORP., *et. al.*,
Respondents.

ASSOCIATION OF INDEPENDENT TELEVISION STATIONS, INC.,
Petitioner,

v.

CENTURY COMMUNICATIONS CORPORATION, *et. al.*,
Respondents.

CORPORATION FOR PUBLIC BROADCASTING,
NATIONAL ASSOCIATION OF PUBLIC TELEVISION STATIONS,
AND PUBLIC BROADCASTING SERVICE,
Petitioners,

v.

FEDERAL COMMUNICATIONS COMMISSION and
UNITED STATES OF AMERICA, *et. al.*,

Respondents.

On Petitions For Writs Of Certiorari
To The United States Court Of Appeals
For The District Of Columbia Circuit

PETITIONERS' APPENDIX

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United States Court of Appeals

FOR THE DISTRICT OF COLUMBIA CIRCUIT

No. 86-1683

CENTURY COMMUNICATIONS CORPORATION, et al.,
PETITIONERS

v.

FEDERAL COMMUNICATIONS COMMISSION and
UNITED STATES OF AMERICA, RESPONDENTS

INDEPENDENT TELEVISION STATIONS, INC.,
SPANISH INTERNATIONAL COMMUNICATIONS CORP.,
UNIVISION, INC.,
THE NATIONAL ASSOCIATION OF BROADCASTERS,
LINCOLN BROADCASTING CO.,
NATIONAL CABLE TELEVISION ASSOCIATION, et al.,
OFFICE OF COMMUNICATION OF THE
UNITED CHURCH OF CHRIST,
CORPORATION FOR PUBLIC BROADCASTING,
NATIONAL ASSOCIATION OF PUBLIC TELEVISION,
PUBLIC BROADCASTING SERVICE,
NATIONAL BROADCASTING CO., INC.,
SPANISH INTERNATIONAL COMMUNICATIONS CORP.,
INTERVENORS

No. 87-1280

RICHARD S. LEGHORN, PETITIONER

v.

FEDERAL COMMUNICATIONS COMMISSION and UNITED STATES OF AMERICA, RESPONDENTS

CORPORATION FOR PUBLIC BROADCASTING, et al., INTERVENORS

No. 87-1301

HUBBARD BROADCASTING, INC., PETITIONER

v.

FEDERAL COMMUNICATIONS COMMISSION and UNITED STATES OF AMERICA, RESPONDENTS

CORPORATION FOR PUBLIC BROADCASTING, et al., INTERVENORS

Petitions for Review of Orders of the Federal Communications Commission

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Argued October 22, 1987

Decided December 11, 1987

John P. Cole, Jr., for joint petitioners, Century Communications Corp., et al. *David M. Silverman* also en-

tered an appearance for joint petitioners, Century Communications Corp., et al.

David G. Rozzelle, with whom *Marvin Rosenberg* and *Barry Lambergman* were on the brief for petitioner, Hubbard Broadcasting, Inc.

James L. Quarles, III was on the brief for petitioner, Richard S. Leghorn.

Daniel M. Armstrong, Associate General Counsel, Federal Communications Commission, with whom *Diane S. Killroy*, General Counsel, *Gregory M. Christopher* and *C. Grey Pash*, Counsel, Federal Communications Commission were on the brief for respondent. *Robert B. Nicholson* and *Laura Heiser*, Attorneys, Department of Justice also entered appearances for respondent.

Henry Geller, with whom *Donna Lampert* and *Andrew Schwartzman* were on the brief for intervenor, United Church of Christ.

Michael S. Horne, with whom *J. Laurent Scharff*, *James M. Smith* and *Henry L. Baumann* were on the brief for intervenors, National Association of Broadcasters and Independent Television Stations, Inc. *Julian L. Shepard* and *Molly Pauker* also entered appearances for intervenor, National Association of Broadcasters.

Arthur Pankopf, *Susan Dillon*, *Baryn S. Futa*, *Martha M. Zornow*, *Paula A. Jameson* and *Nancy H. Hendry* were on the brief for intervenors, The Corporation for Public Broadcasting, et al.

Norman P. Leventhal, *Raul R. Rodriquez*, *Sally A. Buckman*, and *Richard F. Swift* were on the joint brief for intervenors, Spanish International Communications Corporation, National Independent Television Committee and Univision, Inc. *Judith Whittaker* was on the brief for intervenor, Spanish International Communications Corporation. *Richard E. Wiley* and *John C. Quale* also

entered appearances for intervenor, Spanish International Communications Corporation.

Michael D. Berg entered an appearance for intervenor, Lincoln Broadcasting Company.

Jay E. Ricks entered an appearance for intervenor, National Cable Television Association, Inc., et al.

Before: WALD, *Chief Judge*, MIKVA, *Circuit Judge*, and MCGOWAN, *Senior Circuit Judge*.

Opinion for the Court filed by *Chief Judge* WALD.

WALD, *Chief Judge*: Two years ago, in *Quincy Cable TV, Inc.* v. *Federal Communications Commission*, 768 F.2d 1434 (D.C. Cir. 1985), *cert. denied sub. nom. National Association of Broadcasters* v. *Quincy Cable TV, Inc.*, 106 S. Ct. 2889 (1986), we struck down as violative of the first amendment the FCC's "must-carry" rules. Those rules required cable television operators, upon request and within the limits of their channel capacity, to transmit to their subscribers every over-the-air television broadcast signal that was "significantly viewed in the community" or otherwise considered "local" under the Commission's rules. *See Quincy Cable TV*, 768 F.2d at 1437. Today, we revisit this distinctive corner of first amendment jurisprudence, to evaluate the constitutional validity of the scaled-down must-carry rules adopted by the FCC following our decision in *Quincy Cable TV*. Although the FCC has eliminated the more extreme demands of its initial set of regulations, its arguments in this case leave us unconvinced that the new must-carry rules are necessary to advance any substantial governmental interest, so as to justify an incidental infringement of speech under the test set forth in *United States* v. *O'Brien*, 391 U.S. 367 (1968). Accordingly, we invalidate as incompatible with the first amendment this latest incarnation of the FCC's must-carry rules.

I. FACTS

Since the mid-1960's, when the nascent cable television industry began to loom as a threat to ordinary broadcast television, the Federal Communications Commission has labored to protect the local broadcast media through regulation of the cable industry. The Commission's objective in these endeavors

> was not merely to protect an established industry from the encroachment of an upstart young competitor, although such a result was clearly the byproduct of the regulatory posture that developed. Rather, the Commission took the position that without the power to regulate cable it could not discharge its statutory obligation to provide for "fair, efficient, and equitable" distribution of service among "the several States and communities." If permitted to grow unfettered, the Commission feared, cable might well supplant ordinary broadcast television. A necessary consequence of such displacement would be to undermine the FCC's mandate to allocate the broadcast spectrum in a manner that best served the public interest. In particular, if an unregulated, unlicensed cable industry were to threaten the economic viability of broadcast television, the Commission would be powerless to effect what it saw (and continues to see) as one of its cardinal objectives: the development of a "system of [free] local broadcasting stations, such that 'all communities of appreciable size [will] have at least one television station as an outlet for local self-expression.' "

Quincy Cable TV, 768 F.2d at 1439 (citations and footnote omitted). *See also United States* v. *Southwestern Cable Co.*, 392 U.S. 157 (1968) (approving FCC regulation of cable as within the agency's authority so long as its actions are "reasonably ancillary" to its regulation of broadcast television); *Amendment of Part 76 of the Commission's Rules Concerning Carriage of Television Broadcast Signals by Cable Television Systems*, 1 F.C.C. Rcd 864 (1986) (hereinafter "*Report and Order*"), *re-*

consid. denied, 2 F.C.C. Rcd 3593 (hereinafter, "*Recon. Order*"), at ¶¶ 1-29 (tracing history of cable regulation).[1]

Must-carry rules in various forms have been major tools in this campaign to protect local broadcasting from cable. The FCC first introduced such rules in 1962, when it sought to impose a must-carry requirement as a condition for granting an application to construct a microwave system to transmit distant signals to a rural cable system. *See Carter Mountain Transmission Corp.*, 32 F.C.C. 459 (1962), *aff'd*, 321 F.2d 359 (D.C. Cir.), *cert. denied*, 357 U.S. 951 (1963); *see also Quincy Cable TV*, 768 F.2d at 1440 n.11. In time, the FCC developed a broader must-carry regime, generally requiring cable operators, "upon request, to carry any broadcast signal considered local under the Commission's complex formula." *Quincy Cable TV*, 768 F.2d at 1440. The philosophy behind these rules was

> to assure that the advent of cable technology not undermine the financial viability of free, community-oriented television. If cable were to "drive out television broadcasting service . . . the public as a whole would lose far more—in free service, in service to outlying areas, and in local service to outlying areas, and in local service with local control and selection of programs—than it would gain." The must-carry

[1] Rather than retrace the ground covered in *Quincy Cable TV*, we refer the reader at this juncture to the detailed and comprehensive history of early cable regulation provided in Judge Wright's opinion in that case. *See* 768 F.2d at 1438-45. Other useful history appears in *Southwestern Cable Co.*, *supra*, 392 U.S. at 161-67; United States v. Midwest Video Corp., 406 U.S. 649 (1972) (holding that rule requiring cable operators to originate local programming fell within FCC's statutory jurisdiction); FCC v. Midwest Video Corp., 440 U.S. 689 (1979) (striking down as beyond the FCC's jurisdiction rules requiring cable operators to make channels available for local access); and Capital Cities Cable, Inc. v. Crisp, 467 U.S. 691 (1984) (holding state regulation of alcoholic beverage advertising on cable television systems to be preempted by Communications Act of 1934).

> rules, together with a comprehensive body of related regulations, would channel the development of the nascent cable industry to limit the risks it might pose to conventional broadcasting, "society's chosen instrument for the provisions of video services."

Id. (citations omitted); *see generally id.* at 1440-43 (describing, in considerably greater detail, the rationale for the pre-*Quincy Cable TV* must-carry rules).

In 1985, this circuit faced for the first time the question whether the broad must-carry rules which had been in existence for nearly two decades were in harmony with the first amendment. Judge Wright's opinion for a unanimous panel in *Quincy Cable TV* held that they were not. As a threshold matter, we observed that our first amendment review of regulations burdening cable television was not governed by those cases, such as *Red Lion Broadcasting Co.* v. *FCC*, 395 U.S. 367 (1969) and *FCC* v. *League of Women Voters of California*, 468 U.S. 364 (1984), upholding regulations on broadcast television. In reaching that conclusion, we noted "the Supreme Court's oft-repeated suggestion that the First Amendment tolerates far more intrusive regulation of broadcasters than of other media precisely because of the inescapable physical limitations on the number of voices that can simultaneously be carried over the electromagnetic spectrum." 768 F.2d at 1448. Wire-carried media like cable, of course, have no such limitations, and thus we found the "scarcity rationale" that the Supreme Court has used to justify broadcast television regulations to offer no succor to those seeking to establish the constitutional validity of cable television regulations. *Id.* at 1448-50.

Quincy Cable TV did not, however, establish the precise degree of first amendment protection enjoyed by cable operators. Although our opinion noted that some

parallels existed between the must-carry regulations and regulations impinging on editorial discretion that had been invalidated in the past, *see Quincy Cable TV*, 768 F.2d at 1452 (citing *Miami Herald Co.* v. *Tornillo*, 418 U.S. 241 (1974)), it pointedly declined to "definitively decide" whether cable operators enjoy the heightened protection accruing to newspapers or whether the must-carry regulations were more appropriately evaluated under the test, set forth in *United States* v. *O'Brien*, 391 U.S. 367 (1968). *See Quincy Cable TV*, 768 F.2d at 1454. Rather, we concluded that the must-carry rules would fail even the *O'Brien* test's requirement of a substantial governmental interest furthered by means no greater than are essential to the furtherance of that interest.

The reasons for our invalidation of the 1985 must-carry rules under the *O'Brien* test were twofold. First, we concluded that the Commission had not adequately substantiated its assertion that a substantial governmental interest existed. In *Quincy Cable TV* we stated that, even accepting the view that the preservation of free local television was an important regulatory goal, our review of the FCC's reports and regulations suggested that the problem the sweeping must-carry rules purported to prevent—the destruction of free, local television—was merely a "fanciful threat," unsubstantiated by the record or by two decades of experience with cable TV. *Id.* at 1457. In general, we noted, "the mere abstract assertion of a substantial governmental interest, standing alone, is insufficient to justify the subordination of First Amendment freedoms." *Id.* at 1454. Second, even if the interest had been deemed substantial, the broadly-drafted must-carry rules represented a fatally overinclusive response to the problem. We observed in this vein that the rules indiscriminately protected every local broadcaster, regardless of whether it was in fact threatened, and regardless of the quantity of local service available in the community and the degree to which the cable operator in question already carried local outlets.

Id. at 1459-62. We did, however, note that our decision in no way foreclosed the Commission from adopting new must-carry rules consonant with the *O'Brien* test. *Id.* at 1463.

In the aftermath of *Quincy Cable TV*, the FCC immediately suspended enforcement of the must-carry rules. Four months later, it announced its intention to undertake rulemaking proceedings, *see Notice of Inquiry and Notice of Proposed Rulemaking*, 50 Fed. Reg. 48232 (1985), and eventually, in November 1986, 16 months after *Quincy Cable TV* had been handed down, the agency released a new, more limited set of must-carry rules designed to accommodate *Quincy Cable TV's* concerns. *See Report & Order.* In the decision to promulgate these new rules, the Commission took note of the many comments, submitted primarily but not exclusively by broadcasting interests, arguing that some form of FCC intervention remained necessary to protect local broadcasting. *See Report & Order* at ¶¶ 36-51; *see also id.* at ¶¶ 52-57 (describing comments, primarily from cable operators, arguing that the reinstitution of must-carry was unnecessary and undesirable).

The most salient feature of the new rules was that the Commission substantially altered its stated justification for imposing must-carry rules at all. No longer did the Commission argue, as it had prior to the *Quincy Cable TV* decision, that the rules were needed for the indefinite future to ensure viewer access to local broadcast stations. Rather, the Commission now argued that must-carry rules were needed to guarantee such access during a shorter-term transition period during which viewers could become accustomed to an existing and inexpensive but largely unknown piece of equipment known as the "input-selector device."

Such devices, if hooked up to a television, allow viewers at any given time to select, simply by flicking a switch, between shows offered by their cable system and broad-

cast television shows offered off-the-air. These devices, the most common of which is known in the cable industry as an "A/B switch," are about the size of a standard light-switch, and work by being hooked up to a roof-top, attic or television-top antenna. According to a study cited by the Commission in its report explaining the new must-carry rules, the cost of buying such a switch is approximately $7.50, and the cost of buying an outdoor antenna to go with it is approximately $50. *See* Joint Appendix ("J.A.") at 240-42 (cited at *Report & Order* at ¶ 124). Outdoor antennas are generally the more expensive of the three types of antennas.

The Commission estimated that it would take approximately five years for the public to become acclimated to the existence of these switches, and accordingly, its interim rules should be in place for that same five years. *See* 47 C.F.R. § 76.64 (stating that rules remain in force until January 15, 1992); *see also Report & Order* at ¶ 138. At that point, the need for ongoing must-carry rules to ensure viewer access to local broadcast stations would be obviated. *See Report & Order* at ¶ 163 ("once cable subscribers become accustomed to using off-the-air reception on an equal basis with cable service, then cable systems no longer will have an artificial ability to limit their subscribers' access to over-the-air broadcast signals"); *see also id.* at ¶ 138 ("While we have found that short-term must carry regulations are necessary in order to ensure that broadcasting remains a competitive alternative source of programming in the interim period, the record clearly supports no more extensive regulatory program than that which we are adopting").

Because the Commission envisioned these switches as guaranteeing effective viewer choice between local and cable shows, it ultimately added to the new must-carry regime the requirement that cable systems offer subscribers, for pay, input-selector devices that could be hooked up to their TVs. *See* 47 C.F.R. § 76.66; *see also*

Report & Order at ¶ 140; *Recon. Order* at ¶¶ 80-94 (sketching input-selector requirements and amending earlier regulations so as not to require cable operators to install such devices for free or at cost). It did so over the reservations of some broadcasting concerns, who viewed the input-selector devices as less protective than must-carry rules. *See Report & Order* at ¶¶ 45-47 (noting that "broadcasting interests" did not regard the A/B switch as an efficacious way of protecting local broadcasting). The Commission, observing that relatively few consumers knew about the switch-and-antenna mechanism and noting that the long history of must-carry rules had created a public "misperception" that "broadcast signals will always be available as part of their basic cable service," *see Report & Order* at ¶¶ 121-22, also promised to require cable operators to educate the viewing public about the availability of the switch-and-antenna mechanism. *See, e.g., Report & Order* at ¶¶ 1, 136.

In addition to thus offering a new and more limited justification for must-carry rules, the Commission also substantially limited the sweep of the new rules in a number of respects. It set forth limits on how many channels a cable carrier must devote to must-carry: carriers with 20 channels or less were not required to carry any must-carry stations; carriers with between 21 and 26 stations could be required to carry up to 7 channels of must-carry signals; and carriers with 27 or more channels could be required to devote up to 25% of their system to must-carry signals. *See* 47 C.F.R. § 76.56; *see also Report & Order* at ¶¶ 150-52. It also limited the pool of potential must-carry channels to those satisfying a "viewing standard" generally demonstrating a minimum viewership of the channel in question. *See* 47 C.F.R. § 76.5(d)1(ii); 47 C.F.R. § 76.55 (stating that a broadcast station qualifies for inclusion in must-carry pool if it demonstrates that it attains at least an average share of total viewing hours of at least 2 percent and a net

weekly circulation of 5 percent in noncable households in the county where the cable system is located); *see also Report & Order* at ¶¶ 145-46. The Commission also authorized cable operators to refuse to carry more than one station affiliated with the same commercial network. *See Report & Order* at ¶ 153. Finally, the Commission limited the number of noncommercial stations required to be carried, stating that when the cable system had fewer than 54 channels and an eligible noncommercial station or translater existed, the cable operator must devote at least one channel to a noncommercial station; and that when the cable system had 54 or more stations, it must devote two must-carry channels to such endeavors. *See* 47 C.F.R. § 76.56.

Constitutional and statutory challenges to these new must-carry rules were lodged shortly after their promulgation by an array of cable operators and public interest group. Petitioner Century Comumnications Corp., joined by 13 other cable operators (hereinafter "Joint Petitioners"), protests the must-carry rules as violative of the first amendment of the Constitution, as a taking of property without just compensation in violation of the fifth amendment, and as a measure not authorized by the FCC's statutory jurisdiction and hence *ultra vires*. Petitioner Richard Leghorn, a former cable system operator and presently an investor in the cable industry, challenges the rules on first amendment grounds. Petitioner Hubbard Broadcasting, Inc., a broadcasting concern, assails the failure of the new rules to afford must-carry rights to commercial broadcast translator stations as arbitrary and capricious and therefore violative of the Administrative Procedure Act ("APA"). Intervenor Association of Independent Television Stations argues that the must-carry rules are inconsistent with the Commission's statutory charter to protect adequately needy local stations. Intervenor the United Church of Christ challenges the regulations as arbitrary and capricious in a number of respects. Three other intervenors, the Na-

tional Independent Television Committee, Spanish International Communications Corp., and Univision, Inc., target the viewing standard provision of the new must-carry rules as a content-based regulation giving preference to "popular" over "unpopular" speech and therefore violative of the first amendment; these groups also contend that this requirement is an arbitrary and capricious measure adopted in violation of the APA.

The FCC, in response, defends the must-carry rules as based on a satisfactory administrative record and as consonant with the first and fifth amendments. In this endeavor it is joined by five intervenors. The Corporation for Public Broadcasting, the National Association of Public Television Stations, and the Public Broadcasting Service defend the FCC initiative as consistent with both the first amendment and the APA. Two other intervenors, the National Association of Broadcasters and the Association of Independent Television Systems, Inc., similarly defend the regulations against constitutional and statutory attack.

We, however, need look no further than petitioners' first amendment claims to decide this case. Because we invalidate the entire new must-carry regime as unjustified and as unduly sweeping, we do not reach—and therefore express no opinion on—the subsidiary first amendment challenges to particular facets of the rules, or the arguments based on the APA that the rules are too narrow in scope.

II. Opinion

A. *The Appropriate Level of First Amendment Scrutiny*

A threshold question for our first amendment analysis is what standard of review to apply. As in *Quincy Cable TV*, the parties dwell heavily on this issue, offering clever and flavorful analogies to other corners of first amendment law on which more light has been shed.

Petitioners characterize the must-carry rules as posing more than an incidental burden on speech, likening the rules to the newspaper right-of-reply statute invalidated in *Miami Herald Publishing Co.* v. *Tornillo*, 418 U.S. 241 (1974), where the Supreme Court held that the enactment impermissibly interfered with the newspaper's constitutionally protected "editorial discretion." Toward this end, petitioners also offer the recent case of *City of Los Angeles* v. *Preferred Communications, Inc.*, 106 S. Ct. 2034 (1986), where the Court noted that the selection and organization of programs on cable television does involve some degree of editorial discretion. *Id.* at 2037.[2] *See* Brief for Joint Petitioners at 10-21.

The FCC counters by characterizing the must-carry rules as a commercial regulation that burdens speech in a far more attenuated fashion. Accordingly, the FCC argues, the must-carry rules are more appropriately analyzed under the standards set forth in *United States* v. *O'Brien*, 391 U.S. 367 (1968), where the Supreme Court stated that to be valid, a regulation incidentally burdening speech and not aimed at the suppression of free expression must advance a substantial governmental interest and must be no more restrictive than necessary to accomplish that end. *O'Brien*, 391 U.S. at 377. *See* Brief for FCC at 30-42.

The precise level of first amendment protection due a cable television operator is clearly an issue of much moment to the industry and ultimately to viewers. However, having closely analyzed the rationale for and workings of the new must-carry rules, we conclude that we

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[2] *Preferred Communications* did not involve restrictions on the contours of a particular cable operator's offerings, as in *Quincy Cable TV* and the present case, but rather the issue of whether municipal restrictions on cable television franchising implicated first amendment interests. The Supreme Court held that they did, and accordingly remanded for a fuller development of the factual issues in the case.

again need not resolve this vexing question. Like the original must-carry regime invalidated in *Quincy Cable TV*, the new, scaled-back edition fails to satisfy even the less-demanding first amendment test of *United States* v. *O'Brien* whose use here is advocated by the FCC. *See, e.g.*, Brief for FCC at 30 (describing *O'Brien* as "the correct test").[3] We now proceed to offer our application of that test.

B. *An* O'Brien-*Test Analysis of the New Regulations*

In *United States* v. *O'Brien*, the Supreme Court stated:

> [W]e think it clear that a government regulation is sufficiently justified if it is within the constitutional power of the Government; if it furthers an important or substantial governmental interest; if the governmental interest is unrelated to the suppression of free expression; and if the incidental restriction on alleged First Amendment freedoms is no greater than is essential to the furtherance of that interest.

391 U.S. at 377. Typically, analysis under *United States* v. *O'Brien* begins with an appraisal of whether the interest said to be served by a governmental measure is substantial. If it is, we proceed to the more delicate fact-bound issue of whether the means chosen are congruent with the desired end, or whether they are too broadly tailored to pass muster. *See O'Brien*, 391 U.S.

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[3] In addition to claiming enhanced first amendment protection on *Tornillo* grounds, petitioners also contend that the must-carry rules constitute content-discrimination requiring more substantial governmental justification. *See, e.g.*, Brief for Joint Petitioners at 4-5, 13-21 (stating that the rules favor the speech of certain popular local broadcast licensees with various characteristics). The FCC denies this characterization. *See, e.g.*, Brief for FCC at 32-36. Because we conclude that these rules are invalid even under the *O'Brien* test, we need not resolve this additional claim for stronger first amendment protection.

at 377; *see also Members of City Council of Los Angeles* v. *Taxpayers for Vincent*, 466 U.S. 789, 804-05 (1984) (applying *O'Brien* test to uphold city ordinance prohibiting posting of signs on public property); *Quincy Cable TV*, 768 F.2d at 1454-62 (using the two-step *O'Brien* framework employed here).

In this endeavor we are mindful of the fact that it is a first amendment test we are applying. Although at times an *O'Brien* inquiry into an agency regulation may appear to resemble an exercise in administrative law analysis, the Supreme Court has often noted that the substantial deference due in the administrative context has little relevance when first amendment freedoms are even incidentally at stake. *See, e.g., Members of City Council* v. *Taxpayers for Vincent*, 466 U.S. at 803 n.22 (courts "may not simply assume that [an] ordinance will always advance the asserted state interests sufficiently to justify its abridgment of expressive activity"); *Schad* v. *Borough of Mount Ephraim*, 452 U.S. 61 (1981) (holding that no governmental justification existed to support application of a zoning ordinance to bar nude dancing); *Heffron* v. *International Society for Krishna Consciousness, Inc.*, 452 U.S. 640, 658 (1981) (Brennan, J., concurring in part and dissenting in part) ("As our cases have long noted, once a governmental regulation is shown to impinge upon basic First Amendment rights, the burden falls on the government to show the validity of its asserted interest and the absence of less intrusive alternatives.").

We stress at the outset that both the justification offered by the FCC for its new regulations and the scope of those new initiatives differ rather markedly from the justification for and scope of the initial must-carry rules struck down in *Quincy Cable TV*.[4] We therefore do not

[4] The FCC's primary justification for the new must-carry rules, as noted previously, is no longer that they are per-

by any means accept petitioners' characterization, *see* Brief for Joint Petitioners at 1, of the new must-carry rules as mere imitations of those invalidated in *Quincy Cable TV* and thus deserving of a hasty execution. Although *Quincy Cable TV* supplies the structural framework for our analysis, the new must-carry rules are to be evaluated on their own terms: they should not suffer

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manently needed to safeguard the diverse programming generated by protecting local broadcasts. That argument was foreclosed by *Quincy Cable TV*, and the FCC now concedes as well that the spread of A/B switches and antennas to households will ultimately ensure such diversity. *See Report & Order* at ¶ 119 (noting that agency has conceded inadequacy of earlier rationale for must-carry rules). Rather, the FCC makes a more limited argument on behalf of its new rules: that they are needed as an interim measure, to tide the broadcast industry and viewers through the period, estimated by the FCC as five years, during which the American public is introduced to such new technology. *Compare Report & Order* at ¶ 119 (noting that justification for original must-carry rules was to "protect[] one segment of the television industry by substantially limiting the ability of others to offer service to consumers") *with Report & Order* at ¶ 1 ("[t]he new regulatory program is designed to maximize consumers' program choices by developing cable subscribers' awareness of the need for the capability to receive off-the-air broadcast signals independent of their cable service") *and with Recon. Order* at ¶ 47 ("our objective [now is] ensuring viewer access to the maximum number of program choices available through cable and off-the-air broadcast television facilities").

Similarly, the scope of the new must-carry rules is far less sweeping than the regulations we branded as overinclusive in *Quincy Cable TV*. The must-carry rules at issue here require cable operators to set aside no more than one-third of their channels—a far cry from the previous rules, under which must-carry stations could in theory have dominated a cable operator's roster of channels. Additionally, the viewing standard requirement, other first amendment objections aside, does mitigate the possibility of a cable operator being saddled with unpopular and hence unprofitable channels. Finally, the five-year span of the rules necessarily softens their cumulative impact.

by dint of their association with the previous must-carry regime.

Our reservations about the new must-carry rules do, however, implicate both the substantiality of the governmental interest advanced and the narrowness of their design.

1. *The Substantiality of the Governmental Interest*

It may well be that upon a suitable record showing, the justification offered by the FCC, that interim regulations are needed to keep local broadcasts accessible to viewers while the new switch-and-antenna technology takes hold, would satisfy the *O'Brien* standard. *See, e.g., FCC* v. *WNCN Listeners Guild*, 450 U.S. 582, 594 (1981) (deeming "the policy of promoting the widest possible dissemination of information from diverse sources to be consistent with both the [Commission's] public interest standard and the First Amendment"); *cf. FCC* v. *National Citizens Committee for Broadcasting*, 436 U.S. 775, 795 (1978) (noting first amendment value of achieving "'widest possible dissemination of information from diverse and antagonistic sources'") (citations omitted). The difficulty is that here, as in *Quincy Cable TV*, the FCC's judgment that transitional rules are needed is predicated not upon substantial evidence but rather upon several highly dubious assertions of the FCC, from which we conclude that the need for a new saga of must-carry rules is more speculative than real. *See, e.g., Home Box Office, Inc.* v. *FCC*, 567 F.2d 9, 50 (D.C. Cir.), *cert. denied*, 434 U.S. 829 (1977) (requiring agencies to present "a record that convincingly shows a problem to exist" in order to satisfy the "substantial interest" prong of the *O'Brien* test); *see also Quincy Cable TV*, 768 F.2d at 1455 n.44 (noting Supreme Court cases requiring "more than an unsubstantiated assertion of the importance of the governmental interest"). Such speculative

fears alone have never been held sufficient to justify trenching on first amendment liberties.

The agency's first questionable contention is that consumers are not now aware and cannot be expected to become aware in fewer than five years that the installation of an A/B switch could preserve their choice of programs:

> "[T]he perception [exists] that cable systems may be able to preclude access by their subscribers to off-the-air broadcast signals. This perception derives not from any inherent characteristic of cable service, but rather from cable subscribers' current expectation that broadcast signals will always be available as part of their basic cable service. This expectation is a direct result of the former must-carry rules, which, in fact, required cable systems to carry all available off-the-air broadcast television signals. The expectation that local broadcast signals will be carried by their cable system has caused many subscribers to perceive that there is no need to install or maintain the capability to receive broadcast signals off-the-air.
>
> . . .
>
> "If we did not adopt interim must-carry rules now, until our long-term regulatory plan to educate consumers on the need for independent access to off-the-air signals and to make input selector switches available takes hold, harm to the public interest would ensue.

See Report & Order at ¶¶ 121, 126.

The FCC, however, adduces scant evidence for its judgment of a widespread "misperception" among cable subscribers that the only means of access to off-the-air signals is through cable service. It puts forth no attitudinal surveys, or polls, suggesting the likely pace of consumer adaptation to the A/B switch technology. Nor does it offer analogies illustrating how swiftly consumers have incorporated previous electronic innovations. Such evidence might have shown what the FCC simply assumes

here: that upon the disappearance of must-carry regulations, consumers would collectively fail to install with any dispatch the switches and antennas necessary to gain access to local broadcast stations, conceivably imperiling the survival of these stations and thereby depriving viewers of diverse broadcasting offerings.

The lone item of "hard" record evidence on which the FCC relies in support of its need for a five-year interim must-carry period is a study entitled, "Outdoor Antennas, Reception of Local Television Signals and Cable Television," prepared by the ELRA Group, Inc., for the National Association of Broadcasters ("NAB"), *see* J.A. at 205 (cited at *Report & Order* at ¶ 124). NAB's members have long benefited from the existence of must-carry rules, and the organization, during rulemaking, strongly criticized alternative proposed regulations that it perceived as inadequately protective of broadcasters, such as reliance on the A/B switch. *See Report & Order* at ¶ 47 (summarizing NAB's statement to FCC).

This NAB study is essentially a statistical compilation of survey results gleaned from a poll of 610 heads of cable households. The FCC cites this survey generally without pinpointing any specific parts of it that would strongly support the new must-carry regime, *see Report and Order* at ¶ 124. We probe its findings in greater detail here, seeking to uncover and evaluate the particular material in it that may reinforce the agency's rationale.

Among its melange of disparate facts and findings, the study includes four items of information that arguably could be said to point to a need for interim must-carry rules: (1) only about 1% of cable subscribers presently have both the outdoor antenna and A/B switch needed to gain access to noncarried local programming in the absence of must-carry rules; (2) many cable viewers originally owning antennas have taken them down, because they were unsightly, and only about 10% of cable

subscribers presently switch back and forth between cable and antennas; (3) a third of cable homes have video cassette recorders and thus may face some increased difficulty attaching the A/B switch; and finally, (4) about half of cable subscribers doubted that if local broadcast stations were dropped from cable they would buy what the survey termed a "special switch" enabling them to go back and forth between cable and their antennas. Primarily on the basis of these findings, and particularly the finding that relatively few homes are presently equipped with both antennas and switches, the report concludes that the transition to a world without must-carry could force consumers as a whole to expend millions of dollars. It does not, however, suggest that the new technology would be especially costly to consumers on an *individual* basis. Nor does it estimate how long it would take for most households to acquire and install the required switch and antenna.

Even accepting the NAB's findings as accurate, it requires an inferential leap of some distance to arrive at a need for five more years of must-carry. Only through the rosiest of broadcasters' lenses can the NAB study's first salient finding—that there is a dearth of antenna-and-switch setups in American households—be seen as pointing to the difficulty of installing such gear or to the inability of consumers to learn of their availability. More likely, the absence of such equipment from most homes reflects the obvious reality that, so long as the government requires cable companies to offer local broadcasting through the must-carry regime, such supplemental equipment is unnecessary. The FCC's own determination that the consumer misperception upon which it so heavily relies "is a direct result of the former must carry rules," *see Report & Order* at ¶ 121, seriously undercuts the NAB's implication that the unavailability of switch-and-antenna gear is an endemic or long-term problem.

The NAB study's second finding, that few of those with switch-and-antenna capability currently switch back and forth between cable and broadcast with any regularity, can most reasonably be accounted for by the fact that, in a must-carry world, the need to do so is slight. Like the fact that few households have installed switches and antennas, this finding merely describes present reality without offering any glimpse into how the change of one key variable—the lapse of must-carry regulations—would affect that reality. As petitioner Leghorn, who appeared before the FCC during rulemaking proceedings, observes, *see* Brief for Petitioner Leghorn at 12: "Common sense suggests that consumers who want to receive an off-the-air channel will quickly observe that they may need to purchase (or reconnect) antennas should their cable system cease offering their favorite broadcast stations."

The NAB study's third potentially relevant finding, that many cable subscribers own VCRs and thus would face somewhat complicated problems hooking up the switch-and-antenna, is readily dismissed as a grounds on which to justify the need for new must-carry regulations: the FCC itself, in its report explicating the new regulations, specifically discounts reliance on the VCR-interference theory. The Commission concluded:

> We believe that any equipment compatibility problems can be overcome through relatively minor modifications to switching devices and that cable operators and other equipment suppliers can provide the information and/or assistance consumers need to install the switches for use with VCRs.

See Report & Order at ¶ 167 (observing as well that "many of these concerns may become moot if television receivers begin to be manufactured with switching or interface devices built in"); *see also Recon. Order* at ¶ 51 (noting that "[e]vidence that subscribers can make complex cable connections correctly is provided by the fact

that there have been no widespread problems or difficulties encountered by consumers in installation of cable-ready VCRs and receivers . . . many cable subscribers now are acquiring and successfully installing their own cable terminal/converter equipment").

The NAB study's final pertinent observation is that about half of the survey's respondents are unwilling to predict that they would ultimately purchase what the survey question termed a "special switch." Initially, we note that this characterization obscures somewhat the low price and easy installation of the A/B switch. Survey imperfections aside, however, this finding seems to us unpersuasive, for it almost certainly reflects merely the present consumer unfamiliarity with the switch and antenna mechanism. To the extent it does not, it may also reflect consumer disinterest in having access to off-the-air signals. Either way, this finding hardly explains why the five-year transitional period chosen by the FCC is necessary. The NAB's study thus provides only the spongiest of foundations for the FCC's asserted justification for its regulations.

In appraising the FCC's argument that the indelibility of consumer ignorance justifies the reimposition of must-carry rules, we are thus left to ask whether the FCC's contention is so obvious or commonsensical that it needs no empirical support to stand up. We conclude that it is not. For one thing, the FCC's own report elsewhere belies the agency's fears of viewer lethargy. The Commission notes:

> There is evidence that video consumers are now becoming accustomed to switching between alternate program input sources. We observe that many cable systems now offer services through dual cables in order to provide greater channel capacity. Such systems employ switching devices to select between the two cables and often mark the switch positions with "A" and "B" designations. *Cable subscribers*

> *apparently have accepted this switching arrangement and do not find it inconvenient.*

See Report & Order at ¶ 164 (emphasis added).

More generally, we simply cannot accept, without evidence to the contrary, the sluggish profile of the American consumer that the Commission's argument necessarily presupposes. In a culture in which even costly items like the video-cassette recorder, the cordless telephone, the compact disc-player and the home computer have spread like wildfire, it begs incredulity to simply assume that consumers are so unresponsive that within the span of five years they would not manage to purchase an inexpensive hardware-store switch upon learning that it could provide access to a considerable storehouse of new television stations and shows.[5]

Even were we to accept, however, the Commission's view that consumer ignorance cannot be readily eradi-

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[5] The Commission's report on the new must-carry regulations also rules out several alternative conceivable justifications for the new regulations raised by broadcasting interests during rulemaking. Contrary to broadcasters' assertions, the FCC specifically found concerns about the adequacy of input selector switches to be "overstated" and discounted reliance on this argument as a basis for its regulations. *See Report & Order* at ¶ 165. Likewise, the Commission dismisses the argument that indoor antennas are difficult or expensive to install. *See Report & Order* at ¶ 166 ("[t]he relatively low cost and simple installation of indoor antennas can be expected to make it easy for cable subscribers to acquire the capability to receive broadcast stations not carried on cable"); *see also Quincy Cable TV*, 768 F.2d at 1457 n.48 (noting that Commission had conceded that switching devices do not pose a significant barrier to receiving off-the-air signals). Finally, the Commission notes, "[t]he argument that outdoor antennas are sometimes prohibited ignores the fact that in many of these situations it is possible to receive signals of acceptable quality using an inexpensive indoor, set-top antenna. . . . Attic antennas which can give additional off-the-air reception capability are also available." *Report & Order* at ¶ 166.

cated, we have a second fundamental problem with the Commission's judgment that its interim must-carry rules are needed to advance a substantial governmental interest sufficient to support burdening cable operators' first amendment rights. The Commission relies heavily on its assumption that in the absence of must-carry rules, cable companies would drop local broadcasts. Experience belies that assertion. As cable operators reported to the Commission during rulemaking proceedings, *see Report & Order* at ¶ 53, during the 16 months that elapsed between *Quincy Cable TV* and the reimposition of the modified must-carry rules, cable companies generally did not drop the local broadcast signals that they had been carrying prior to *Quincy Cable TV*.

The FCC responds that this constitutes "only limited direct evidence," and that in any event some cable companies did drop individual broadcast stations, *see Report & Order* at ¶ 131. One might also speculate on behalf of the FCC that the inaction of cable companies after *Quincy Cable TV* may have partially resulted from their expectation that some new must-carry rules would inevitably emerge. Nevertheless, given *Quincy Cable TV's* vigorous denunciation of the breadth of the old must-carry rules, one can hardly assume that cable companies expected the FCC to reintroduce anything like the old sweeping must-carry requirements. Also undercutting the FCC's fearful assumption is the fact that both the Federal Trade Commission and the Department of Justice have concluded, in separate reports, that the absence of must-carry would not harm local broadcasting. *See Report & Order* at ¶ 54 (noting Federal Trade Commission study, submitted in FCC rulemaking, that an analysis of 24 satellite television stations showed that "absent must-carry rules, cable systems can be expected to carry many or most local broadcast stations"); *id.* at ¶ 55 (noting that Department of Justice also concludes that must-carry rules are not needed to foster localism); *id.*

at ¶ 114 (FCC acknowledges during post-*Quincy Cable TV* hiatus that "many cable systems are now providing locally originated programming services").

For these reasons, we conclude that the FCC has not demonstrated that the new must-carry rules further a substantial governmental interest, as the rules must to outweigh the incidental burden on first amendment interests conceded by all parties here. As we stated in *Quincy Cable TV*, "[a]t least in those instances in which both the existence of the problem and the beneficial effects of the agency's response to that problem are concededly susceptible of some empirical demonstration, the agency must do something more than merely posit the existence of the disease sought to be cured." 768 F.2d at 1455. The FCC error in this case was its failure to go that extra step here.

2. *The Congruence Between Means and Ends*

The second prong of the *O'Brien* test focuses on the congruence between the means chosen by the agency and the end it seeks to achieve. In this case, even were we convinced that the interest in whose name the FCC purports to act was more than a "fanciful threat," *see Home Box Office, Inc.* v. *FCC*, 567 F.2d 9, 50 (D.C. Cir.), *cert. denied*, 434 U.S. 829 (1977), the new must-carry regulations, because of their lengthy duration, are too broad to pass muster even under the *O'Brien* test.

If any interim period of must-carry rules is, in fact, necessary, the FCC adduces literally no evidence that this period must last for fully five years. Such a period is strikingly long in an industry that the FCC itself characterizes as "rapidly evolving." *See Report & Order* at ¶ 133. In the absence of any empirical support for the new must-carry rules, the FCC falls back on what it terms a "sound predictive judgment," *see Recon. Order* at ¶ 62, that it will take about five years for consumers

to learn about the switch-and-antenna mechanism, and thus that a five-year transition period is needed during which the agency will provide consumer education.

We are, however, unpersuaded. In large part our reluctance to countenance reimposing must-carry rules for five years based on a "sound predictive judgment" that is never explained reflects our perceptions about consumer aptitude stated earlier. Such a guess about consumer instincts hardly presents the sort of issue where, "if complete factual support . . . for the Commission's judgment or prediction is not possible," we should defer to the Commission's expert judgment. *See FCC* v. *National Citizens Committee for Broadcasting*, 436 U.S. at 814. It is wholly unclear to us why it should take five years to inform consumers that with the installation of a $7.50 switch and a television antenna they can view more local channels. The FCC report does nothing to shed light on this matter.

Additionally, we are skeptical—and the FCC's report says nothing to relieve this skepticism—that any consumer education campaign will have much impact so long as viewers can continue to rely on must-carry to get their fix of local broadcasts. It is entirely likely that not until the waning few months of the five-year must-carry regime would the FCC's admonitions about the need for switches and antennas begin to sink in, much as the existence of switches and antennas has largely gone unnoticed in a consumer population already accessed to local television as a result of must-carry in recent years. Opting for a five-year interim period therefore merely delays the inevitable, but almost certainly brief, period during which TV owners will learn of, purchase, and install the requisite equipment.[6] We therefore find it diffi-

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[6] In addition to our concerns about the unnecessary duration of these "interim" rules, we are unconvinced, based on our reading of the agency record, that the Commission was correct to dismiss peremptorily the less restrictive alterna-

cult to defer blindly to the Commission's unproven belief that half a decade is necessary.

III. Conclusion

Our decision today is a narrow one. We hold simply that, in the absence of record evidence in support of its policy, the FCC's reimposition of must-carry rules on a five-year basis neither clearly furthers a substantial governmental interest nor is of brief enough duration to be considered narrowly tailored so as to satisfy the *O'Brien* test for incidental restrictions on speech. We do not suggest that must-carry rules are *per se* unconstitutional, and we certainly do not mean to intimate that the FCC may not regulate the cable industry so as to advance substantial governmental interests. But when trenching on first amendment interests, even incidentally, the government must be able to adduce either empirical support or at least sound reasoning on behalf of its measures. As in *Quincy Cable TV*, we reluctantly conclude that the FCC has not done so in this case, but instead has failed to " 'put itself in a position to know' " whether the problem that its regulations seek to solve " 'is a real or fanciful threat.' " *Quincy Cable TV*, 768 F.2d at 1457-59 (quoting *Home Box Office, Inc.* v. *FCC*, 567 F.2d 9, 50 (D.C. Cir.), *cert. denied*, 434 U.S. 829 (1977)). Accordingly, we have no choice but to strike down this latest embodiment of must-carry.

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tives to must-carry rules proposed during rulemaking and during the Commission's reconsideration of the new rules by petitioners and intervenors, and particularly by petitioner Richard Leghorn. *See Report & Order* at ¶¶ 174-75 (rejecting Leghorn proposal that would, among other things, require that all new televisions be built with switches); *see also Recon. Order* at ¶ 56 (same). Nevertheless, because we invalidate the new must-carry rules on the grounds already stated, we do not decide this issue and do not base our decision on any judgment as to the relative desirability of these alternative proposals.

United States Court of Appeals

FOR THE DISTRICT OF COLUMBIA CIRCUIT

No. 86-1683

CENTURY COMMUNICATIONS CORPORATION, et al.,
PETITIONERS

v.

FEDERAL COMMUNICATIONS COMMISSION and
UNITED STATES OF AMERICA, RESPONDENTS

ASSOCIATION OF INDEPENDENT TELEVISION STATIONS, INC.,
SPANISH INTERNATIONAL COMMUNICATIONS CORP.,
UNIVISION, INC.,
THE NATIONAL ASSOCIATION OF BROADCASTERS,
LINCOLN BROADCASTING CO.,
NATIONAL CABLE TELEVISION ASSOCIATION, et al.,
OFFICE OF COMMUNICATION OF THE
UNITED CHURCH OF CHRIST,
CORPORATION FOR PUBLIC BROADCASTING,
NATIONAL ASSOCIATION OF PUBLIC TELEVISION,
PUBLIC BROADCASTING SERVICE,
NATIONAL BROADCASTING CO., INC.,
SPANISH INTERNATIONAL COMMUNICATIONS CORP.,
INTERVENORS

No. 87-1280

RICHARD S. LEGHORN, PETITIONER

v.

FEDERAL COMMUNICATIONS COMMISSION and UNITED STATES OF AMERICA, RESPONDENTS

CORPORATION FOR PUBLIC BROADCASTING, et al., INTERVENORS

No. 87-1301

HUBBARD BROADCASTING, INC., PETITIONER

v.

FEDERAL COMMUNICATIONS COMMISSION and UNITED STATES OF AMERICA, RESPONDENTS

CORPORATION FOR PUBLIC BROADCASTING, et al., INTERVENORS

Petitions for Review of Orders of the Federal Communications Commission

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On Motion For Clarification of Opinion Issued December 11, 1987

Filed January 29, 1988

Before: WALD, *Chief Judge*, and MIKVA, *Circuit Judge*.

ORDER

Upon consideration of Respondent Federal Communications Commission's motion for clarification of the Court's

opinion of December 11, 1987, and of Petitioner Century Communications Corporation's opposition thereto, the motion is granted.

The Court's opinion in *Century Communications Corp.* v. *Federal Communications Commission*, No. 86-1683, slip op. (D.C. Cir. Dec. 11, 1987) is hereby clarified as follows:

(1) The Court has invalidated the interim "must carry" rules of the Federal Communications Commission that became effective on June 10, 1987. Those rules required cable systems to carry certain broadcast signals. *See* 47 C.F.R. § 76.56 (mandatory carriage of television stations); § 76.58 (disputes concerning carriage); § 76.60 (carriage of other television signals); § 76.62 (manner of carriage); *see also* 47 C.F.R. § 76.5 (as amended August 7, 1986 and/or March 26, 1987); § 76.53 (same); § 76.55 (same); § 76.64 (same).

(2) The Court has not struck down the requirements concerning input selector switches and consumer education due to take effect February 29, 1988. *See, e.g.*, § 76.66 (input selector switches and consumer education). Those separate requirements were not included in petitioners' first amendment and statutory challenge to the must-carry regulations, which impermissibly infringed on the first amendment rights of cable operators. Nor are the input selector and consumer education requirements so inextricably bound up with the must-carry requirements as to constitute an inseparable package. Rather, they are independent measures designed toward the same end as the invalidated must-carry rules: easing a transition to a world without must-carry channels.

(3) Insofar as portions of the rules regarding consumer education and input selector switches do make references to the now-invalidated must-carry provisions, we instruct the Commission on remand to make appropriate adjustments in light of the invalidation of the interim must-carry rules.

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

MM Docket No. 85-349[1]

In the Matter of

Amendment of Part 76 of the
Commission's Rules Concerning
Carriage of Television Broadcast
Signals by Cable Television Systems

REPORT AND ORDER
Proceeding Terminated

Adopted: August 7, 1986; **Released: November 28, 1986**

By the Commission: Commissioners Quello and Dawson issuing separate statements.

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[1] The issues left open in Docket Nos. 21323, 81-741, and 84-168 relating to cable carriage of multi-channel television sound, program-related teletext, and program-related communications on the vertical blanking interval also will be addressed herein. *See Memorandum Opinion and Order* in Docket Nos. 21323, 81-741, and 84-168, adopted February 8, 1985, 50 FR 11000.

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INTRODUCTION

1. By this action, the Commission is adopting a two-part regulatory program that eventually will eliminate the need for cable television mandatory signal carriage regulation. The previous "must carry" rules were held constitutionally invalid by the United States Court of Appeals for the District of Columbia Circuit in *Quincy Cable TV, Inc. v. FCC (Quincy).*[2] The first part of the new regulatory program will require cable systems to offer subscribers input selector switches for use with antennas and to conduct a consumer education program concerning the purpose of, and need for, maintaining off-the-air reception capability.[3] The second part of this plan consists of interim must carry rules that are intended to provide an orderly transition to a new environment. Thus, the new must carry rules will expire at the end of a five year transition period. These interim must carry rules are a modified version of the proposed industry agreement that was filed jointly by several of the major broadcast and cable trade associations.[4] The modifications to the industry agreement include specific protections for noncommercial educational and new commercial broadcast stations. The new regulatory program is designed to maximize consumers' program choices

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[2] 768 F.2d 1434 (D.C. Cir. 1985), *cert. denied sub nom. National Association of Broadcasters v. Quincy Cable TV, Inc.*, 54 U.S.L.W. 3806 (U.S. decided June 9, 1986) (No. 85-502).

[3] An input selector switch is any device that enables the viewer to select between cable service and off-the-air reception of broadcast signals. Although such devices are often referred to as "A/B" switches, they may, in fact, be more sophisticated than a mere two-sided switch, may utilize other cable interface equipment, and may be built into consumer television receivers.

[4] The parties endorsing this agreement are the National Association of Broadcasters (NAB). The Association of Independent Television Stations (INTV), the Television Operations Caucus (TOC), the National Cable Television Association (NCTA), and the Community Antenna Television Association (CATA).

by developing cable subscribers' awareness of the need for the capability to receive off-the-air broadcast signals independent of their cable service. We believe that this program provides a constitutionally acceptable balance between the need to protect this federal and the First Amendment rights of cable operators.

BACKGROUND

2. The Commission's former must carry requirements for cable television systems are set forth in Sections 76.57-76.61 of its rules.[5] Under these rules, a cable system was required, upon request and within the limits of its channel capacity, to carry the signals of all local broadcast television stations. In general, a station is considered local if the station or its market encompasses, or is in close proximity to, the cable system's community, or if the station's signal otherwise is "significantly viewed" by off-the-air viewers in the cable system's community. The specific provisions of the must carry rules vary depending on the size of the market in which the cable system is located.[6] In accordance with the *Quincy* decision, the Commission suspended enforcement of the must carry rules, effective July 19, 1985.[7]

3. *Development of the Rules.* Broadcast television stations and cable television systems provide services and operate in manners that in some respects are complementary and in others highly competitive. Broadcast television stations offer advertiser-supported or public-supported "free" over-the-air service to their local communities. In

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[5] *See* 47 CFR §§76.57-76.61.

[6] There are separate versions of the must carry rules for cable systems operating: 1) outside all television markets: 2) in smaller television markets; and 3) in major television markets. *See* 47 CFR §§76.57, 76.59, and 76.61.

[7] *See* "Suspended Enforcement of Certain Sections of 47 CFR Part 76," Public Notice, released September 10, 1985, 50 FR 38003.

contrast, cable systems offer multiple video services to fee-paying subscribers through the facilities of a coaxial cable. In addition to local television stations, cable systems may carry program services from other sources such as distant television stations, special satellite-delivered cable networks and premium services and local origination channels.

4. Because of their ability to bring additional competing program services into local television markets and their perceived potential to operate as "gatekeepers" who control the off-the-air program services available to their subscribers, cable systems were viewed early in their development as potentially harmful to local broadcast television service. The Commission was initially reluctant to assert jurisdiction over the cable industry and to regulate its activities.[8] However, in the early 1960's the Commission observed increases in the number of cable systems and undertook to begin developing a comprehensive program for regulating the growth of the cable industry and its impact on the existing broadcast television service. The must carry rules were the cornerstone of this program.

5. The Commission first acted to require cable carriage of local television service in 1962, in *Carter Mountain Transmission Corp.*[9] In that decision, the Commission specified a requirement for carriage of a local television station as a condition for grant of a construction permit for a microwave system to feed distant signals to a rural cable system. This requirement was extended to all microwave-fed cable systems in 1965, in the *First Report*

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[8] *See Frontier Broadcasting Company v. Collier*, 24 FCC 251 (1985); *recon. denied* in conjunction with *Report and Order* in Docket No. 12443, 26 FCC 403, 428 (1959).

[9] *See Carter Mountain Transmisson Corp.*, Docket No. 12931, 32 FCC 459 (1962), aff'd 321 F.2d 359 (D. C. Cir.), *cert. denied*, 375 U.S. 951 (1963).

and Order in Docket Nos. 14895 and 15233.[10] A year later, in the *Second Report and Order* in Docket Nos. 14895 and 15233, the Commission applied must carry requirements to all cable systems, regardless of whether or how they imported distant signals.[11] In the 1972 *Cable Television Report and Order,* the Commission "fine-tuned" the must carry rules in accordance with the implementation of comprehensive rules for regulation of the cable industry.[12]

6. In adopting must carry requirements, the Commission held that oversight of cable television was necessary to fulfill its statutory obligations under the Communications Act of 1934, as amended.[13] In this respect, the Commission stated that the Communications Act charges it with the duty "to make available, so far as possible, to all people of the United States, a rapid, efficient, nationwide and worldwide wire and radio communications service" (47 U.S.C. §151) and "generally to encourage the larger and more effective use of radio in the public interest" (47 U.S.C. §303(g)). It also stated that it is required "to make

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[10] *See First Report and Order* in Docket Nos. 14895 And 15233, 38 FCC 683 (1965).

[11] *See Second Report and Order* in Docket Nos. 14895 and 15233, 2 FCC 2d 725 (1966).

[12] *See Cable Television Report and Order,* Docket Nos. 18397, *et al.,* 36 FCC 2d 143 (1972). Many of the provisions of the *Cable Television Report and Order,* particularly those pertaining to carriage of distant signals, have now been eliminated. *See e.g., Report and Order* in Docket No. 19859, 57 FCC 2d 68 (1976) [permitting additional carriage of network news programs]; *Report and Order* in Docket No. 20681, 60 FCC 2d 672 (1976), and *Report and Order* in Docket No. 21002, 66 FCC 2d 380 (1977) [modifying and deleting requirements for local cable franchises]; *Report and Order* in CT Docket No. 78-206, 69 FCC 2d 697 (1978) [eliminating certificate of compliance procedures]; *Report and Order* in Docket Nos. 20988 and 21284, 79 FCC 2d 663 (1980), *aff'd sub nom. Malrite TV of New York v. FCC,* 652 F.2d 1140 (2d Cir.), *cert. denied,* 454 U.S. 1143 (1981) [eliminating distant signal and syndicated exclusivity rules].

[13] *See First Report and Order, supra at 697.*

such distribution of licenses, frequencies, hours of operation, and of power among the several States and communities as to provide a fair, efficient, and equitable distribution of radio service to each of the same" (47 U.S.C. §307(b)). The Commission indicated that under these statutory provisions, its duty was "to make television service available, so far as possible, to all people of the United States on a fair, efficient, and equitable basis."[14] If further explained that it sought to fulfill this responsibility through the table of television channel assignments in Section 73.603 of the rules.

7. The Commission's decision to regulate cable systems grew out of its concern that the "explosive" nationwide growth of cable service threatened to harm the existing local television service as provided under the channel assignment plan.[15] After examining the nature and operation of cable systems, the Commission determined that it could not rely on cable as a primary means to achieve its television service allocation objectives. The Commission observed that because of the prohibitive cost of extending cable service beyond built-up areas, cable systems could not serve many persons reached by broadcast signals. The Commission noted that households unable to obtain cable service, and those who cannot afford or are unwilling to pay for it, are entirely dependent on local or nearby stations for their television service.[16] The Commission also considered that local television stations afford a means for community self-expression, whereas very few cable systems originate local programming. Finally, the Commission indicated that it intended for the commercial television system to distribute programs to the public through a multiplicity of local outlets.

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[14] Id. at 699.

[15] Id. at 685-699.

[16] Id. at 699.

8. On this basis, the Commission concluded that cable was a "supplementary" service and that it was necessary to protect local broadcast television service from any adverse effects from competition with cable services, particularly the importation of distant signals. However, the Commission also recognized that cable facilities could provide significant public interest benefits by assisting in expansion of television service in undeserved areas. Thus, the Commission felt that it was of the utmost importance to the public interest that extensions of television service by the auxiliary facilities of cable be accomplished in a fair and equitable manner and that cable and broadcast facilities have complementary, rather than conflicting roles.[17]

9. In developing policy to regulate cable growth, the Commission devoted substantial attention to the economic relationship between broadcast stations and cable systems and the conditions under which competitive impact occurs. The basic analysis of this relationship as relied upon by the Commission was as follows.[18] Cable systems bring to areas already served by one or more television stations the signals of other stations that are well beyond the normal range of reception. These additional signals compete with the local stations for a share of the available audience. If subscribers view distant signals to the exclusion of local stations, the audience will become fragmented and the local stations will lose viewers. As the audience a station can deliver decreases, advertisers will demand lower prices per unit of air time, and station revenues and profits will decline. Decreased revenues and profit will cause the local station to reduce its program efforts, and thereby to reduce its service to the public. Most importantly, it was assumed that in cases where a cable system did not carry a particular local station, each gain of a subscriber by the

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[17] Id.

[18] Id. at 702-703; *see also Second Report and Order, supra at 737.*

cable system would mean the full loss of a potential viewer for the station. The Commission recognized the possibility that the viewer access problem could be solved through the use of A/B switches that would permit cable subscribers to alternate as needed between an off-the-air antenna and the cable.[19] However, it rejected this as a solution on the grounds that then existing switches were ultimately inconvenient and would not be used by subscribers.

10. In view of these considerations, the Commission drew two broad conclusions with respect to cable signal carriage:

> 1) As a competitive practice, the failure or refusal by a cable system to carry the signal of a local station is inconsistent with the principle that cable should supplement, but not replace, over-the-air television service, and;
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> 2) Because it is inconsistent with the concept of cable as a supplementary service, an unreasonable restriction on the local station's ability to compete, and patently destructive of the Commission's goals in allocating television channels to different areas and communities, a cable system's failure to carry the signal of a local station is inherently contrary to the public interest.[20]

11. The Commission stated that in light of the basic conditions under which competition occurs between cable systems and broadcast television stations, its decision to adopt must carry rules did not depend on a showing that cable competition is demonstrably certain to cause widespread and serious damage to the public interest in television service. It asserted that it would be contrary to the public interest to defer action until a serious loss of ex-

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[19] *See First Report and Order, supra at 702.*

[20] Id. at 705.

isting and potential service had occurred, or until existing service had been significantly impaired—i.e., to wait "until the bodies pile up" before conceding that a problem exists.[21]

12. Nonetheless, the Commission considered the numerous empirical studies and analyses that were available concerning the impact of cable television. It concluded that it was "impossible, from The data at hand, to isolate reliably the effects of [cable] competition from all of the other factors which operate to produce particular financial results in different settings."[22] However, it also found that the available empirical data and studies demonstrated that cable could have a substantial negative effect upon station revenues and audiences.[23] The Commission further concluded that because of cable's rapid growth, the problem was likely to be more serious in the future than it had been in the past.[24]

13. A year later the Commission extended the must carry rules to all cable systems. In its decision, the Commission stated that its analysis with respect to the need for regulatory action in the *First Report and Order* applied equally to nonmicrowave served cable systems.[25] It noted that the economic studies considered in its initial adoption of mandatory signal carriage requirements concerned microwave as well as nonmicrowave cable systems. The Commission declined to conduct a further fact-finding inquiry on nonmicrowave cable systems because such studies were proving to be out-of-date almost before there was time to consider them.

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[21] Id. at 701.

[22] Id. at 710.

[23] Id. at 710-711.

[24] Id. at 711.

[25] *See Second Report and Order, supra at 744.*

14. The Commission has not readdressed the basic rationale or underlying predicates for the must carry rules in the time Since their initial adoption. The rules currently suspended are essentially the version that was adopted in the 1972 *Cable Television Report and Order.*

15. Over the years, the cable industry has continued to grow and develop. Cable systems are no longer simply auxiliary facilities for retransmitting the signals of broadcast television stations. Rather, they have evolved as providers of a multiplicity of video services from a broad range of program sources, some of which are original to cable. These changes have not gone unnoticed by the Commission. In the *Economic Inquiry Report,* the Commission recognized that the growth of cable and other program delivery systems such as videocassette recorders (VCRs) was changing the video services market and that cable in particular was no longer an auxiliary or secondary distribution service.[26] The Commission observed that video services were being provided by a more diverse set of media and that this trend was likely to grow and develop to a greater extent in the future. The Commission further stated that it has become clear that the supply of home entertainment and information services could be increased through this greater variety of delivery alternatives. It concluded that with the advent of these new services, the justifications for attempting to control cable had declined accordingly.[27] This change in the nature of cable and the video industry resulted in the Commission's decision to eliminate most of the rules other than must carry that were adopted as part of the comprehensive cable regulatory plan.[28]

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[26] *See Economic Inquiry Report,* Docket No. 21284, 71 FCC 2d 645-646 (1979); *see also Report and Order* in Docket No. 20988, *supra* at 686.

[27] *See Economic Inquiry Report, supra at 646.*

[28] *See Cable Television Report and Order, supra.*

16. Moreover, Congress recognized the emergence of the cable industry as a major participant in the market for television services in the Cable Communications Policy Act of 1984 (Cable Act).[29] This legislation, which was signed into law on October 30, 1984, amended the Communications Act by adding a new Title VI, entitled "Cable Communications."[30] The intent of the Cable Act is to establish a national policy that encourages the growth and development of cable television services and assures that cable systems are responsive to the needs and interests of the local communities they serve.

17. *The Quincy Decision.* On July 19, 1985, the United States Court of Appeals for the District of Columbia Circuit ruled in the *Quincy* case that the Commission's must carry rules were unconstitutional.[31] In *Quincy*, the court considered whether the must carry rules violate the First Amendment rights of cable operators, cable programmers and the viewing public. It found that the rules unconstitutionally infringe upon cable operators' rights to freely exercise editorial discretion in selecting the content of program services provided by their cable systems.[32] It further found that the must carry rules could also affect the First Amendment rights of cable programmers and subscribers. In this respect, it indicated that if a cable system's channel capacity is substantially or completely occupied by man-

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[29] Cable Communications Policy Act of 1984, Pub.L. No. 98-549, § *et seq.*, 98 Stat. 2779 (1984).

[30] 47 U.S.C. §521 *et seq.*

[31] *Quincy, supra.* The *Quincy* decision arose from the court's consolidation of two separate cases, *Quincy Cable TV, Inc. v. FCC and Turner Broadcasting System, Inc. v. FCC.* In the former, a cable system challenged a Commission order requiring it to carry certain stations under the must carry rules. In the latter, TBS appealed the Commission's dismissal of its petition for rule making to eliminate the must carry rules.

[32] Id. at 1452.

datory carriage signals, cable programmers may be prevented from reaching their intended audiences and subscribers' viewing preferences may be disregarded.[33]

18. The court used a two step procedure to determine the appropriate standard of review for assessing the constitutionality of the must carry rules. It first evaluated the propriety of applying the lenient First Amendment standard traditionally utilized in assessing the constitutionality of broadcast regulation.[34] Cognizant of the "[S]upreme Court's repeated admonitions to be sensitive to the unique features of each medium of expression,"[35] the court determined that the "scarcity rationale" sustaining much of the regulation of broadcasting "has no place in evaluating government regulation of cable television."[36] The court was unable to discern any attributes of cable that would justify use of the standard traditionally applied to the broadcast media, and concluded that it "must look elsewhere to determine the appropriate yardstick against which to measure the constitutionality of the must-carry rules."[37]

19. The court next considered, but did not decide, whether to apply the balancing test established for "incidental" burdens on speech set forth in *United States v. O' Brien (O' Brien)*,[38] or the more stringent standard for content-based regulations enunciated in *Miami Herald Publishing Co. v. Tornillo (Miami Herald)*.[39] It examined

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[33] Id. at 1453.

[34] *See e.g., Red Lion Broadcasting Co. v. FCC*, 395 U.S. 367 (1969).

[35] *Quincy, supra at 1444.*

[36] Id. at 1449.

[37] Id. at 1450.

[38] 391 U.S. 367 (1968).

[39] 418 U.S. 241 (1974). *Miami Herald* involved a newspaper, and the First Amendment standards explicated therein are generally applied to the print media. The *Quincy court* explained that "for cable, no less than for other media, the First Amendment draws a distinction between

the purposes underlying the must carry rules and the nature and degree of the intrusions they effect, and was unable to conclude that they burden First Amendment rights only incidentally. In this regard, the court determined that the must carry rules favor one group of speakers, broadcasters, over another, cable programmers; they coerce speech by significantly compromising cable operators' otherwise broad editorial discretion; and, where channel capacity is at least substantially occupied by mandatory signals, they are a barrier between cable programmers and their audience and may cause viewers' preferences to be disregarded. In light of these intrusions on rights and activities protected by the First Amendment, the court had "serious doubts about the propriety of applying the standard of review reserved for incidental burdens on speech."[40]

20. However, assuming for purposes of analysis that the rules impose only an incidental burden, the court concluded that, as written, the must carry regulations are "clearly impermissible" under the *O' Brien* standard.[41] It did not hold that mandatory carriage regulations are constitutionally infirm *per se,* or that the *O' Brien* formula is the appropriate standard for reviewing the constitutionality of cable regulations generally, or must carry regulations specifically. To the contrary, the court explicitly stated that since the rules are unconstitutional under the incidental burdens formula it did not need to "definitively decide" whether a "more exacting" standard is The correct test, and left unresolved whether any form of mandatory car-

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'incidental' burdens on speech—regulations that evince a governmental interest unrelated to the suppression or protection of a particular set of ideas—and restrictions that are intended to curtail expression." *Quincy, supra* at 1450, *quoting Home Box Office, Inc. v. FCC,* 567 F. 2d 9 (D.C. Cir.) *(percuriam), cert denied,* 434 U.S. 829 (1977).

[40] *Quincy, supra at 1453.*

[41] Id. at 1454.

riage requirement could comply with the strictures of the First Amendment.[42]

21. The court stated that under an *O'Brien* analysis, a content-neutral regulation "will be sustained if it furthers an important or substantial governmental interest . . . and if the incidental restriction of an alleged First Amendment freedoms is no greater than is essential to the furtherance of that interest."[43] In applying the first part of the *O'Brien* test, the court assumed that the preservation of free, locally-oriented television is an important regulatory goal. It Stated, however, that "the mere abstract assertion of a substantial governmental interest, standing alone, is insufficient to justify the subordination of First Amendment freedoms,"[44] and determined that the Commission had not met its heavy burden of demonstrating that the must carry regulation would vindicate the articulated governmental interest.

22. Part two of the *O'Brien* standard as applied by the *Quincy* court balances the governmental interest articulated in part one against the degree of intrusion on protected First Amendment activity caused by the regulation. According to the court, in order to pass constitutional muster, the regulation must be the least restrictive means for protecting a valid federal interest, that is, the restriction on First Amendment rights may be no greater than essential to the furtherance of the governmental interest.[45]

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[42] Id. The court stated that if *Miami Herald* is the appropriate standard for constitutional scrutiny of the must carry rules, it would be unnecessary to test them against any other standard. The court also stated that 'once one has cleared the conceptual hurdle of recognizing that all forms of television need not be treated as a generic unity for purposes of the First Amendment, the analogy to more traditional media is compelling." Id. at 1450.

[43] Id. at 1451, *quoting United States v. O'Brien, supra at 377.* (ellipses in original.)

[44] *Quincy, supra at 1454.*

[45] Id.

23. As part of its determination as to the constitutional sufficiency of the fit between the federal interest in preserving free local television service and the must carry rules, the court emphasized that the distinction between protecting local broadcasting and local broadcasters is critical. It stated that the rules are intended to protect local broadcasting, but, as written, they are overinclusive and indiscriminately protect every broadcaster. In this regard, the court stated that the rules do not take into consideration whether or to what degree the affected cable system poses a threat to the local broadcast station's economic well-being, the quantity of local service available in the cable community, or the number of local outlets already carried by the cable operator.[46]

24. In closing, the court stated that it did not find it necessary to decide whether any version of the mandatory carriage rules would contravene the First Amendment.[47] The court also stated that "[s]hould the Commission wish to redraft the rules in a manner that is more sensitive to the First Amendment concerns . . . it is, of course, free to do so."[48]

25. *The Notice of Proposed Rule Making.* Subsequent to the *Quincy* decision, the Commission received Petitions for Rule Making from the Association of Independent Television Stations, the National Association of Broadcasters, *et al.*, and the Corporation for Public Broadcasters, *et al.* (CPB), concerning cable carriage of broadcast television

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[46] Id. at 1460. Additionally, the court noted that the rules apply with equal force to all cable systems and do not distinguish among cable systems based on their channel capacity or the extent to which they are saturated with must carry signals. Id. at 1462, n. 55.

[47] Id. at 1434.

[48] Id. at 1463.

signals.[49] These petitions asked the Commission to adopt new must carry rules that would meet the constitutional concerns raised by the court.

26. In response to these petitions, the Commission adopted a combined *Notice of Inquiry and Notice of Proposed Rule Making (Notice)* on November 14, 1985, 50 FR 48232, to consider the matter of signal carriage rules for cable systems. Eighty-five parties filed comments and twenty-eight parties filed replies in response to the *Notice*.[50] In addition, many members of Congress submitted letters concerning this matter and many other parties filed informal comments.

27. On March 21, 1986, several of the major broadcast and cable industry associations submitted an "industry agreement" to the Commission for consideration as a plan for new must carry rules.[51] In response to the filing of the industry agreement, the Commission issued an *Order* on March 25, 1986, 51 FR 11073, requesting additional comment on the must carry matter and the industry proposals in particular. Sixty-four parties filed formal comments addressing the industry agreement.[52]

28. *Overview of the Decision.* In the time since the *Quincy* decision, the Commission has been without a com-

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[49] NAB was joined in its petition by the Association of Maximum Service Telecasters, the Station Representatives Association, the American Broadcasting Companies, Inc., CBS Inc., the National Broadcasting Company, Inc., the ABC Affiliates Association, the Spanish International Communications Corporation, Bahia de San Francisco Television Company, The Seven Hills Television Company, and the National Religious Broadcasters. CPB was joined in its petition by the National Association of Public Television Stations and the Public Broadcasting Service.

[50] A list of parties filing comments in response to the *Notice* is provided in Appendix A.

[51] *See footnote 4, supra.*

[52] A list of the parties filing responses to the industry agreement is provided in Appendix A.

prehensive system of rules for regulating cable subscribers' access to broadcast signals. We recognize that this situation has been the subject of considerable concern on the part of broadcast interests and, more recently, many members of Congress and their staffs.[53] In this respect, it has been expressed that there is need for new must carry rules and that we should act expeditiously to complete this proceeding. In view of these concerns, we believe it is appropriate and desirable that we not delay our decision in this matter.

29. In considering the matter of signal carriage regulation for cable television systems, we will begin with an examination of the federal interests that may be affected by issues pertaining to cable carriage of broadcast stations. We next will examine the need for regulation to protect our federal interests. In this context, we will consider the various proposals for addressing the need for regulation and then will discuss our decision to adopt a two part regulatory program that will eventually eliminate the need for cable mandatory signal carriage regulation.

SUMMARY OF THE RECORD

Comments Concerning the Federal Interest

30. Broadcast interests argue that the Commission's fundamental statutory obligation to promote the widest possible dissemination of local television service will be jeopardized if cable television systems are not subject to some form of mandatory carriage requirements. In particular, broadcasters cite the Commission's adoption of the TV Table of Allotments which is designed to assure that

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[53] Specific plans and proposals for resolving the must carry matter were submitted to the Commission by Senator John C. Danforth, Chairman of the Senate Committee on Commerce, Science, and Transportation and Congressman Timothy Wirth, Chairman of the House Subcommittee on Telecommunications, Consumer Protection, and Finance.

as many communities as possible have the opportunity for at least one station. They remind the Commission that under its localism policy, broadcasters have a responsibility to provide public service programming that is responsive to the needs and issues in their local communities. Broadcasters generally submit that although recent deregulation decisions have allowed licensees more flexibility as to how these requirements are met, the basic statutory obligations underlying them have not changed. In this respect, NAB quotes the Commission's statement in the *Report and Order* in the TV deregulation proceeding that each commercial television station continues to be "subject to an obligation to provide programming that is responsive to the issues confronting its community."[54]

31. Broadcasters view must carry rules as a means by which the Commission acted to preserve and to foster the localism concept and its associated local public service objectives. According to the NAB, in the early days of the cable industry, the Commission recognized the potential of cable systems to interfere with its television allocations scheme, and to advance or hinder the implementation of its localism policy. NAB submits that the Commission recognized the technical capability of cable systems to provide service to areas that had no off-the-air reception due to terrain problems and the fact that cable would be available only to those willing or able to pay for it. It states that the Commission asserted jurisdiction over cable to preserve and continue the growth of the local television system. The United States Catholic Conference (Catholic Conference) also points out that Congress assumed the continued existence of the must carry rules and reaffirmed the principle that local communities should be able to receive locally-oriented broadcast programming when it enacted the Cable Act. Finally, numerous broadcasting interests comment that the Quincy decision in no way altered the Com-

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[54] *See Report and Order* in MM Docket No. 83-670, 49 FR 33588.

mission's statutory obligation to establish, foster, and maintain a locally-oriented broadcast system.

32. Senator John C. Danforth, in a letter to the Commission dated July 22, 1986, submits that cable's ability to perform gatekeeper functions conflicts with three long-standing substantial government interests. He states that these interests are the public's First Amendment right of access to diverse sources of information, the preservation of vigorous competition among communications services, and the Commission's statutory obligation to promote a nationwide broadcasting service built upon local outlets.

33. Most commenters opposed to new must carry rules do not dispute the government's interest in localism, although some point out that the *Quincy* court assumed, without deciding, that the goal of encouraging localism qualifies as important or substantial under the standard enunciated in *United States v. O' Brien (O'Brien).*[55] However, parties representing cable interests argue that the factors underlying the federal interest in must carry regulation have changed and that to continue policies that further localism through signal carriage regulation will not necessarily further the public interest. In statements generally representative of these parties, NCTA argues that the Commission's responsibility under the Communications Act is not simply to foster localism, but rather is to promote the efficient distribution of service. It, therefore, submits that the Commission should base its decision in the must carry matter on the impact of that action on the development of a television system that maximizes access to the marketplace of ideas. NCTA asserts that must carry regulation is not warranted under this standard. In arguing this point, NCTA contends that the nature of cable television has changed significantly in recent years. It states that virtually all cable systems now offer their sub-

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[55] 391 U.S. 367 (1968).

scribers a multitude of video programming options in addition to retransmitting broadcast signals and that as a result, cable television is no longer regarded as merely ancillary to broadcasting. On this basis, NCTA states that cable provides an independent voice and that this has been recognized by The court in *Quincy*. It further submits that in the Cable Act, Congress recognized the importance of the cable industry as a participant in the national communications system.

34. Several commenters submit that many cable systems now provide their own independent local programming. In particular, the Connecticut Cable TV Association (Connecticut Cable) indicates that The cable systems in its state often provide more local programming Than broadcast stations, Connecticut Cable further contends that nearby out-of-state stations that have must carry status generally do not provide programming directed to the local Connecticut population it serves.

35. A number of cable parties contend that the Commission's interest in protecting local television is no longer relevant in view of its decision to eliminate the television programming guidelines in the *Report and Order* in the TV deregulation proceeding.[56] NCTA, nineteen cable operators filing joint comments (Nineteen Cable Operators), and others observe that although the Commission has not completely abandoned its policy that all broadcasters should be responsive to local needs and interests, it has eliminated virtually all of the specific programming guidelines for broadcasters on the ground that market forces, including competition from cable, provide an adequate incentive for broadcasters to meet the needs of their audiences. The Nineteen Cable Operators observe that a commercial broadcaster, exercising its good faith judgment, is now free to present no local news or public affairs program-

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[56] *See Report and Order* in MM Docket No. 83-670, *supra*.

ming.[57] It states that under these circumstances it seems incongruous for broadcasters to claim a federally-mandated right to displace the local programming which is being provided by cable systems. The Nineteen Cable Operators argue that the fact that local news, public affairs, or any other form of local programming is now totally discretionary with a television licensee undercuts the localism rationale for the must carry rules. Similarly, the Community Antenna Television Association (CATA) argues that the concept of localism is suspect absent a newly articulated definition of what it is, what it is intended to accomplish, and what a broadcast station must do To qualify under the new definition. Tele-Communications, Inc. (TCI) states that ensuring that the maximum diversity of information is available to the public by cable is more important than the substantiality of the government's interest in local broadcasting.

Comments Concerning the Need for Regulation

36. Commenting broadcasters generally believe that the Commission's localism policy will be threatened in the absence of must carry rules. They generally submit that they would lose audience without cable carriage and that the resulting lower revenues would pose a threat to the viability and existence of many stations. Broadcasters submit that must carry rules are needed to protect the free, over-the-air television system from this impact. The City of Boston stresses that it is important to protect local broadcast television stations because they are still the primary source of local news, public affairs, and other information

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[57] *See Report and Order* in MM Docket No. 19142, 96 FCC 2d 634 (1984), *aff'd sub nom, Action for Children's Television v. FCC,* 756 F.2d 899 (D.C. Cir. 1985).

programming.[58] Broadcasters also contend that the potential for harm is great now because nearly half of the nation's TV households are dependent on cable for delivery of their television service.

37. Press Broadcasting Company and several others question the value of the requirement for local stations to present issue-responsive programming if the audiences those programs are intended for will not be readily able to receive them. In this respect, Cape Video Network contends that cable operators should shoulder part of the burden to foster localism through a requirement to carry local signals.

38. Several broadcasting interests contend that cable operators will be able to exert extensive power over the local broadcasters if they are not subject to must carry rules. Broadcasters assert that cable operators are typically monopolists within their service areas and can act as "gatekeepers," deciding which broadcast stations, if any, are carried by their systems. They argue that cable operators, by using this advantage, can prevent local stations from reaching the audiences they are licensed to serve, Tribune Broadcasting (Tribune) argues that without must carry requirements a local broadcaster's access to its service area will be subject to the whim of the cable operator, who is a competitor, Senator Danforth, in his July 22, 1986, letter states that there are two characteristics of cable that justify mandatory carriage requirements: first, that viewers may need cable service to receive local broadcast signals and; second, that most cable systems have a monopoly in their franchise area.

39. A number of broadcast interests express concern that cable operators consider local independent stations to

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[58] The City of Boston comments that cable carriage of the eleven local stations in the Boston area would provide in excess of 100 hours of local news and public affairs programming each week to cable subscribers.

be undesirable inputs to cable service even if the stations' signals are popular with subscribers and the cable systems have channel space available. These parties, particularly INTV, allege that this attitude arises because cable operators consider independent stations to be competitors in the local advertising market. They contend that a cable operator will desire to keep the signals of local independent stations off its cable system so that local advertisers will be induced to buy time on the cable system's own channels. Broadcasters also argue that some cable operators hope to drive the local independent stations off the air in an attempt both to raise local advertising rates and to force local advertisers to buy time on their cable systems' program services.

40. Numerous parties, representing several classes of broadcast stations, fear that their stations would not be carried by cable systems without mandatory carriage rules. These commenters principally include licensees of: 1) new UHF independents; 2) UHF network affiliates in markets where more than one station is affiliated with the same network; 3) smaller market UHF stations; 4) minority owned and operated stations; and, 5) public broadcasting stations. In general, these broadcaster claim that without cable carriage they will be unable to reach the audiences they are licensed to serve and will be competitively disadvantaged against other local broadcasters. UHF broadcasters state that they are more dependent than VHF stations on cable carriage due to the reception problems that are inherent to UHF signals. Several new stations that anticipated cable carriage when they began operation claim that they are already experiencing difficulty in obtaining cable carriage, are being carried on tiers other than basic service, or are being required to pay for cable carriage. Some of these commenters believe that cable operators have an incentive to keep new stations off the air. In this respect, they point out that cable penetration and demand for pay services are highest where there are few

local stations and that cable operators now compete with broadcasters for local advertising.

41. According to the NAB, absent assured cable carriage, new stations in particular are caught in a "vicious financial vise." NAB and other commenters state that without mandatory carriage rights, new stations will not have access to cable households that represent a substantial portion of their potential audiences. They claim that this loss of audience will impair the ability of new stations to generate revenues that are needed to purchase and produce quality programming. These parties state that without such programming, new stations cannot attract the audiences that would indicate subscriber demand for their services and earn them the cable carriage afforded more established stations.

42. Minority and public broadcasters comment that non-carriage of their stations will deny their audiences access to the diverse programming they offer. Howard University, *et al.*, asserts that cable subscribers will not have the opportunity to be exposed to minority programming if minority-oriented stations are denied carriage. In its view, this would be an infringement on the First Amendment rights of minority broadcasters. Spanish International Network (SIN), *et al.*, licensees of Spanish language stations, state that a cable operator's decision not to carry one of their stations would deprive Spanish-speaking viewers of the unique ethnic-oriented programming that reflects their nondominant cultural identity and is in many cases the only programming these viewers can understand.

43. Public broadcasting commenters note that congress and the Commission historically have established policies that encourage the development of independent, local public television stations to provide alternatives to mass appeal programming, to serve neglected and undeserved audiences, and to respond to community needs. CPB and the other commenting public broadcasting interests believe that

in the absence of must carry rules their stations will not be carried by cable operators, especially in areas where there is more than one such station.[59] They contend that the resulting loss of audience will lead to a loss of financial support that will weaken the public broadcasting system as a whole and thwart their mandate to provide diverse programming.

44. Sixteen parties,[60] representing UHF stations generally of the classes claiming they are at greatest risk, describe instances Wherein they have been disadvantaged by the invalidation of the must carry rules. Specific situations described by these parties include requests for payment for signal carriage, refusals to carry a station's signal, and discontinuances of signal carriage. In general, these commenters believe that absent any must carry rules, they will not continue to receive the same quality cable carriage that they have had in the past and will thereby be disadvantaged in the competitive media environment.

45. Broadcasting interests argue that there is no satisfactory means of preserving localism if cable operators are not required to carry all local broadcast stations. They state that the often suggested option that cable subscribers could use an A/B switch and an antenna to obtain access to local signals that are not available on their cable systems is not a viable alternative.[61] In this respect, they state that subscribers are not likely to go to the trouble and expense necessary to receive those local signals that

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[59] In its reply comments, CPB explains that multiple public stations in a market are not like duplicating commercial network affiliates. CPB states that public stations do not provide duplicated programming, but offer unique and distinct services to discrete audiences or offer viewers programs at different times.

[60] Nine television stations filed comments claiming that they are especially at risk in the absence of must carry rules. In its comments, INTV reports seven additional stations that claim to be threatened.

[61] *See* footnote 18, *supra*.

are not carried on cable. Broadcasters further contend that in many locations there is not acceptable over-the-air reception, especially for UHF stations, and that cable delivery is the only practical means for receiving local broadcast signals in such areas. In addition to the concerns about A/B switches reported in the comments, INTV elsewhere argues that these devices are not a solution to the must carry matter.[62] In particular, INTV adds that cable companies routinely volunteer to remove antennas from new subscribers' homes and that to deny carriage to local stations that are most competitive with cable services where cable operators sell local advertising will tend to perpetuate network domination of the television industry.

46. The NAB submitted a study, prepared under its auspices by the ELRA Group, Inc., that examined the extent to which cable subscribers can view local, off-the-air signals without benefit of cable carriage. Based on a sample of 610 cable households, This nationwide study of cable households found that: 1) very few cable subscribers currently have an outdoor antenna and an A/B switch; 2) most cable homes do not have roof top antennas connected to their cable sets: and, 3) a significant number of subscribers may not be able to have an outdoor antenna because of restrictive local regulations prohibiting antennas.[63]

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[62] "The A/B Switch: A Non-solution to Must Carry", INTV, cited in "Broadcasting", June 23, 1986, at 75-76.

[63] The ELRA study's principal findings include:

1) One percent of cable subscribers now have an outdoor antenna and an A/B switch;

2) Two percent of cable homes use rooftop antennas in connection with their cabled television receivers;

3) Over half of cable households have never had an outdoor antenna:

4) About half of the cable subscribers who ever had a rooftop antenna

The ELRA study estimates that the cost to cable subscribers to obtain off-the-air reception capability could range from $458 million to $863 million. NAB states that these findings indicate that in the absence of must carry rules, cable subscribers could be forced to spend hundreds of millions of dollars on outdoor antennas, A/B switches, and switch installations and still would not have full assurance of being able to view local television signals, NAB also believes that ELRA's cost estimates are conservative and that the actual cost to cable subscribers could be as high as $1.6 billion.

47. NAB also submitted a statement describing technical problems associated with the use of A/B switches to enable viewers to switch from cable to off-the-air reception. Its analysis determines that this approach appears costly, complicated, and inconvenient to viewers. In particular, NAB concludes that: 1) an A/B switch must be connected to a properly maintained antenna to be effective; 2) installation of The Switch and/or antenna may require professional help; 3) installation becomes more complicated and may require additional equipment if a VCR is involved.[64] 4) the currently available A/B switches do not have a remote control feature; 5) cable-ready television sets will not receive UHF signals off-the-air in the cable mode;[65] and, 6) some A/B switches can increase signal leakage.

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have taken it down;

5) Over forty percent of those who removed their antennas took them down because of their belief that cable service made them unnecessary;

6) Almost one-third of cable subscribers were told by their cable system that they would no longer need a rooftop antenna; and,

7) Almost two-thirds of all cable subscribers said that better reception was a principal reason for subscribing to cable service.

[64] The ELRA study indicated that one-third of cable homes now have VCRs.

[65] Cable service generally connects to the VHF antenna terminals of

48. The broadcast interests commenting on the compulsory copyright license state that it is a government intrusion into private negotiations for the use of copyrighted material. They state that the compulsory license is unfair because local television stations have always been required to bargain in the market for every television program they seek to exhibit, while cable television operators have been free to carry television broadcast programming at no charge for local retransmissions and at lower than market rates for distant signals. Furthermore, they State that since 1980, cable operators have been able to disregard the copyright exclusivity paid for by the local broadcast station purchaser of a syndicated television program by importing a distant station's transmission of the same program. They note that before *Quincy*, these was the countervailing consideration that the local station could at least be assured that its programming would be available to all television viewers in its home market, both over the air and on cable. Commenting broadcasters argue that the *Quincy* court was incorrect in determining that the must carry rules were simply a referential aid in the determination of the royalty fee and that, in fact, the must carry rules were intended, in part, to balance the benefit provided to cable systems by the compulsory license.

49. The government parties commenting on the compulsory license are in full agreement that it is an overregulatory mechanism that grossly distorts the efficient development of a truly competitive video market. The National Telecommunications and Information Administration (NTIA) states, and the Department of Justice (DOJ) concurs, that the compulsory license tends to discourage the production of additional, innovative programming. They be-

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TV receivers and, therefore? does not affect the use of the receivers' separate UHF antenna terminals. Thus, reception of UHF signals generally does not require use of an A/B switch, except in those cases where the receiver's cable ready feature operates in a manner such that its use disables the UHF antenna input terminal.

lieve that by artificially depressing the price paid by the cable industry for television broadcast signals, the compulsory licensing system encourages cable systems to retransmit more signals than they otherwise would. Thus, they argue that the compulsory license system serves to limit the realization of the full potential of cable television as a program distribution medium and as an alternative source of independently produced programming. The government parties state that the compulsory licensing scheme constitutes an irrational government-granted subsidy for one segment of the mass media industry. They further submit that compulsory licensing is manifestly unfair because it denies program producers the right to control the distribution and price of their product. Thus, they are concerned That the flow of investment into the programming industry may be affected. The Federal Trade Commission (FTC) argues that it is most likely that the government determined rates are incorrect and, thus, the rate-setting and royalty distribution mechanisms of the compulsory license may have led to a tendency toward reduction in the variety of programming available to consumers.

50. The government parties also agree that there appear to be few, if any, public interest benefits accruing from the compulsory license. The government parties state that a free market environment would not mean the end of the distant signal carriage market. They note that a number of satellite program distributors have come into existence in the unregulated market and act as intermediaries between copyright holders and cable operators. The government parties state that cable operators do not deal with the copyright holders of each program appearing on the satellite service, but rather deal with the program distributor who serves as an intermediary. Thus, they believe that an unregulated market in distant signal programming would quickly spawn the development of private institutions to broker the sale of distant signal programming to cable operators.

51. Finally, NTIA agrees with the broadcast parties that the vacated must carry rules and the compulsory license statute are necessarily linked together. They state that "[w]ith the court's elimination of the FCC's 'must carry' rules, the right of zero-cost access previously enjoyed by local broadcasters to local cable systems dissipates." NTIA argues that if cable systems are now to enjoy the right to pick and choose among local broadcast signals, any rationale for granting the cable industry, in effect, an exemption from the ordinary workings of the copyright laws also is vitiated.

52. Cable interests generally refute the contention that signal carriage regulation is necessary to preserve the Commission's localism policy. Cable commenters contend that even if it is determined that broadcast programming deserves special treatment because of its local nature, there is no evidence that audiences will be deprived of access to broadcast stations in the absence of mandatory carriage rules. In statements representative of these interests. NCTA states that cable operators have an economic incentive to provide locally-oriented programming because they operate in a highly competitive market and can ill afford to be insensitive to the requirements of their subscribers. NCTA observes that according to recent audience surveys, local broadcast signals still attract a major share of cable audiences.[66] It argues that cable operators, therefore, have an economic incentive to continue to carry these local broadcast signals because they are popular with subscribers. Cable parties claim that the loss of guaranteed cable carriage is likely to have only a slight effect on local broadcasters. They contend that if the service broadcasters

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[66] For example, in its comments, NCTA cites a recent survey that indicates that broadcast stations, "excluding superstations," received more than 70 percent of the audience in cable households during the first nine months of 1985. Cable Television Advertising Bureau, *Cable Market Update*, 1985.

provide is truly local and desired by cable subscribers, then viewers who wish to receive that service will be able to do so by using off-the-air reception capability. The National Telephone Cooperative Association comments that the must carry rules tended to protect local broadcasters and not local broadcasting.

53. Cable interests generally argue that there is no evidence of need for regulation to protect local broadcasting. The cable and citizens' groups submitting comments opposing new must carry rules state that the performance of the cable industry post- *Quincy* provides convincing evidence that cable companies generally have not dropped the local broadcast signals that they had been carrying before the *Quincy* decision. They point out that there are no "dead bodies" on the landscape. These commenters also state that most broadcast stations will continue to be carried in the future because cable must satisfy subscriber preferences, which include broadcast television.

54. The staff of the FTC submitted an empirical study which indicates that, absent must carry rules, cable systems can be expected to carry many or most local broadcast stations. The FTC study evaluates the local broadcast signals carried by satellite master antenna television (SMATV) systems, SMATVs differ from conventional cable systems only in that they tend to serve buildings with multiple dwelling units and are not subject to the must carry rules. Thus, the FTC staff believes that an analysis of the behavior of SMATVs with respect to local broadcast signals should provide the Commission with a strong indication of the likely behavior of cable systems in the absence of must carry regulations. Their study of 24 SMATV systems reveals that carriage of local stations appears to be profitable and that local stations occupy on average almost half of the available channels on the systems. The FTC staff also examines how the proportion of local stations carried by SMATVs varies with the number of local broadcast stations and the number of available

satellite programming services. This analysis indicates that: 1) an increase in the number of local stations is associated with an increase in the number of local stations carried by a SMATV, but the increase in local stations carried is lower than the increase in local stations—i.e., not all additional local stations are carried; and, 2) an increase in the availability of satellite services tends to reduce carriage of local stations. Based on this study, the FTC staff predicts that, absent a must carry rule, more than half of the local broadcast stations will be carried on cable systems and, in most cases, the proportion could be expected to exceed one-half by a large margin.

55. DOJ also does to believe that must carry rules are necessary to preserve and foster localism. In DOJ's view, the Commission cannot justify a need for must carry rules to further localism without demonstrating that the competitive marketplace will not ensure a desirable level of local television service. DOJ further states that the Commission has never maintained that the protection of all local broadcasters is necessary to foster the goal of a national broadcasting system. It submits that the possibility that some marginal individual broadcast stations may not survive without mandatory carriage rules is not a sufficient reason to reimpose such rules to preserve localism. DOJ further states that under *Quincy* the Commission may not reimpose must carry rules without first defining, in objective terms, the minimum amount of local broadcasting necessary to serve the public interest, and then demonstrating that absent regulation, local broadcasting would be reduced below that minimum.

56. Parties representing cable interests generally contend that the adoption of new must carry rules would limit rather than promote program diversity. In this respect, the Nineteen Cable Operators state that must carry rules displace cable programmers' only means to reach their audience, in favor of television broadcasters who have an alternative delivery mechanism to reach the public. They

also submit that mandatory carriage rules do not prevent unfair competition because cable carriage alters the over-the-air competitive situation between broadcasters in a given market. Cable operators argue that must carry rules give broadcasters an unfair advantage over cable programmers who are not provided a similar guaranteed means of reaching their audience. Finally, Nineteen Cable Operators state that must carry regulations unfairly hamper cable operators who must compete with alternative video entertainment delivery systems which have no similar mandatory carriage requirements.

57. Several operators of cable programming services state that any must carry rules will preclude them from providing valuable and unique non-broadcast programming to their subscribers. TBS, the Eternal Word Television Network (EWTN), and others contend that cable channel capacity is generally limited, and that must carry requirements further limit the number of channels available for cable programming services.[67] EWTN contends that the proliferation of new UHF stations burdens cable systems and forecloses entry for new cable networks. Tele-Communications, Inc. (TCI) asserts That mandatory carriage rules impede the Cable Act's stated purpose of ensuring diversity on cable.

58. Proponents of the compulsory license contend that a "free market" in the distribution of distant signal programming would ensure the virtual elimination of a distant signal market. This argument is based upon the assumption that the costs to cable operators of negotiating, monitoring, and enforcing contracts with each and every program producer regarding each and every program exhibited on a distant signal would be prohibitively high.

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[67] For example, TBS notes that despite the publicity given to a few new cable systems with 50-100 channels, over 38.7 percent of all systems have 20 or fewer channels and 12.4 percent of all systems have 12 or fewer channels.

Cable operators claim that by eliminating the need for costly individual contracts, the compulsory license statute renders the existence of a distant signal market possible. NCTA, in its comments on the compulsory license, states that Congress did not see any connection between the compulsory license and mandatory local carriage. NCTA further states that the compulsory license reflects its agreement with the Motion Picture Association of America (MPAA), in which broadcasters played no part of record.

Proposals

59. In the *Notice*, we requested comment on the proposals filed by INTV and the public broadcasters and the concerns raised by the NAB. Interested parties were also invited to submit other specific proposals that would meet the constitutional concerns raised by the court in *Quincy*. In addition, we requested comment on the impact of these issues on the compulsory licensing scheme and our authority in this area. In the subsequent *Order*, we invited comment on the industry agreement and the more general question of whether local broadcast service and the concept of localism as a communications policy are sufficiently important to warrant an intrusion on cable operators' First Amendment rights.

60. The *INTV Permissible Signal Carriage Rule Proposal.* In the *Notice* we indicated our intention to examine the communications policy implications of cable's compulsory copyright license in light of the *Quincy* decision. In this regard, we requested comments on the permissible signal carriage rule proposed by INTV. Under this proposal, the cable operator would choose either to invoke the compulsory copyright license by carrying all signals considered "local" under the rule, or to negotiate separately with copyright holders for use of their work. The proposed rule is based on Section 111 of the Copyright

Revision Act of 1976 (Copyright Act).[68] It provides: Cable Television carriage of television broadcast signals is permissible, for purposes of Section 111 (c) of the United States Code, if the cable system carries, as part of the basic tier of cable service regularly provided to all subscribers at the minimum charge, the entire signals of all local television broadcast stations without discrimination or charge. A television broadcast station is "local" as to a cable system if the cable system lies within the "local service area" of the television station, as defined in 17 U.S.C. Section 111(f).[69]

We solicited comments on the Commission's authority to adopt INTV's proposed rule and whether this proposal meets the constitutional concerns raised by the *Quincy* court.

61. Fifty-five of the commenting parties address INTV's proposal. About half of these commenters are broadcasters who support the proposal as a viable means to restore balance to the cable-copyright market. Some of these broadcasters would prefer new must carry rules, but consider this proposal an acceptable alternative. Some commenters suggest modifications to the rule proposed by INTV.

62. In its comments, INTV states that the proposed rule is a pragmatic solution to the market imbalance created by *Quincy* between cable's retransmission of broadcast television signals and the compulsory copyright license. INTV contends that the proposal is not for a must carry rule, but rather a "may carry" rule that would affect only a

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[68] Copyright Revision Act of 1976, 17 U.S.C. §111.

[69] Section 111(f) states in pertinent part: "The local service area of a primary transmitter in the case of a television broadcast station, comprises the area in which such station is entitled to insist upon its signal being retransmitted by a cable system pursuant to the rules, regulations, and authorizations of the Federal Communications Commission in effect on April 15, 1976."

cable operator's method of payment for the right to retransmit broadcast television programming. If further submits that the proposed "may carry" rule is constitutional and the Commission has the authority to adopt it.

63. INTV states that the Commission's authority to adopt the proposed rule is derived from the "plain meaning" of Section 111(c)(1) of the Copyright Act, which makes cable systems eligible for compulsory licensing "where the carriage of the signals comprising the secondary transmission is permissible" under the Commission's rules. INTV states that the legislative history of the Copyright Act demonstrates an inherent and inextricable legal tie between the must carry rules and the compulsory license. INTV states that in their 1971 "Consensus Agreement," broadcasters, cable operators and program copyright owners agreed to support both local carriage rules and the compulsory licensing scheme. Many commenters supporting the proposal endorse INTV's rationale or proffer similar arguments regarding the Commission's authority. Other supporters assume the Commission's jurisdiction without discussion.

64. INTV states that its proposal is constitutional because it is a "may carry" rule that would not require or prohibit carriage of any or all television signals. Therefore, it states that the proposed rule would not infringe cable operators' First Amendment rights and, thus, would not even be subject to constitutional scrutiny. INTV also contends that it is constitutional to condition a cable operator's eligibility for compulsory licensing on its carriage of all local television signals. In this regard, INTV states that copyright is a constitutionally authorized protection, but that the compulsory license is a statutory benefit to which there is no constitutional right. INTV and some commenters argue that the proposed rule would not infringe on a cable operator's First Amendment rights and that the Commission's authority under Section 111(c)(1) of the Copyright Act includes the power to condition eligibility for

the statutory benefit of the compulsory license. Overall, the proponents generally agree with INTV that the proposed rule is constitutional under *Quincy*.

65. Cable interests, DOJ, NTIA and the FTC oppose INTV's proposal. These parties state that it would effectively force cable systems to carry all local television signals and, therefore, it is a form of reimposition of the must carry rules. Similarly, in DOJ's view "the proposal represents an effort to coax cable systems into carrying all local broadcast stations by threatening to withhold a privilege accorded by Congress." Cable interests favor maintaining the compulsory license in its current form. The FTC and NTIA state that the compulsory license should be repealed in favor of free markgtplace negotiations.

66. Opposing parties also state that the Commission does not have the authority to adopt INTV's proposal. They generally concur with DOJ, which states "[w]e do not believe that the Commission may avoid the limits on its ability to determine copyright policy by defining as impermissible, for purposes of Section 111, carriage that is permissible for communications purposes." Many commenters cite *Quincy* to support the position that the compulsory license is linked only to carriage of distant signals, for which the must carry rules in effect as of April 15, 1976, were "frozen" as a definitional reference to distinguish local from distant signals.[70] These commenters claim that invalidation of the must carry rules is irrelevant for copyright purposes and that new rules affecting local signals would not affect the compulsory license.

67. Opponents generally believe that INTV's proposal is an attempt to circumvent the *O'Brien* test. They contend that this proposal, therefore, raises substantial First Amendment concerns. For example, many of the oppo-

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[70] *See Quincy, supra* at 1454 n. 42.

nents state that the commercial impracticability of separate copyright negotiations will force cable operators to carry all local television signals in order to avail themselves of the compulsory license. As a result, they argue, INTV's proposal relates to program content and, thus, is subject to constitutional scrutiny. Opponents also contend that this proposal is unconstitutional because only Congress, and not the Commission, may legitimately attach conditions to the government bestowed benefit of the compulsory license. Others argue that INTV's proposed rule would abridge cable operators' Fist Amendment rights by conditioning eligibility for compulsory licensing on the relinquishing of their editorial discretion.

68. *Proposals for Requiring Carriage of New Stations.* Several commenters express concern about the viability of new stations entering local television markets without the competitive equalizer of cable carriage. These parties believe that new stations which as of the *Quincy* decision either had not begun operations or captured the attention of their local television market audience or advertisers, will suffer the greatest competitive harm absent rules assuring them cable carriage. These commenters contend that unless new stations are protected, the nation's system of over-the-air broadcast television will be jeopardized. A few of these parties propose rules or suggestions designed To aid new stations. The consensus among these parties is that new stations should be carried by cable systems for a specified period of time. The time periods proposed for carriage of new stations vary from 18 months to five years.

69. Grace Cathedral, Incorporated (Grace) proposes to protect new stations using a copyright-based signal carriage rule. The proposed rule would condition availability of the compulsory license on the carriage of all "eligible" television stations, i.e., those licensed for fewer than five years and within whose specified zone the cable system lies in whole or in part. It would require carriage of the entire signals of all eligible new stations without discrim-

ination or charge on the cable system's basic tier of service until their period of eligibility has expired. The proposed rule would allow cable operators to elect not to use the compulsory copyright license and to "opt out" of the carriage requirements by complying with the requirements for providing written notice of the same to the Commission.

70. Grace argues that there is need for this form of regulation because cable poses an especially acute threat to new broadcast stations that have difficulty obtaining advertising revenue during their first few years of operation and cannot afford to pay for cable carriage. It asserts that the critical nature of cable access is heightened for new independents that have to compete with local network affiliates that are generally carried by cable systems.

71. In support of its proposed rule, Grace first states that it concurs with INTV's position that the Commission has authority to adopt a copyright-based signal carriage rule under Section 111(c) of the Copyright Act. Grace also asserts that its proposed rule is constitutional. In reply comments, it argues that its proposed rule is a content-neutral measure designed to promote the diversity of voices in the electronic media without unconstitutionally infringing on cable operators' First Amendment rights. In this regard, Grace contends that its proposed rule would not favor a particular point of view and would not discourage cable operators from carrying stations or from originating programming. Grace argues that its proposed rule meets the *Quincy* court's concerns respecting the overinclusiveness of local cable carriage rules. It states that the proposed rule would cure the problem under the previous must carry rules whereby protection was afforded indiscriminately to all broadcasters because it would apply only to new station licensees and only for as long as they reasonably need protection. Grace asserts that the five-year limitation would be a self-regulating device that would be responsive to local conditions since most stations have been

licensed for a longer period of time. It concludes that under its rule, if a station is able to fend for itself after five years, the local market would have an additional viewpoint, and if the station fails, the rule would have functioned properly by having given the new station a chance to succeed.

72. NCTA opposes Grace's proposed rule in part on the ground that the Commission does not have the authority to affect cable's compulsory copyright license. In this regard, it argues that Section 111(c) of the Copyright Act does not authorize the Commission to impose copyright-related conditions on the permissibility of cable carriage of broadcast signals. NCTA contends that if a signal may be retransmitted pursuant to the Commission's rules with respect to communications policy, then it is subject to compulsory licensing. NCTA also asserts that Grace's proposal ignores the *Quincy* court's concerns regarding cable operators' editorial discretion, viewer preferences and interests of non-broadcast cable programmers. It states that this proposal seeks only to protect the interests of individual broadcasters without regard to the economic viability of broadcasting in the particular market.

73. *Proposals for Requiring Carriage of Public Broadcasting Stations.* In the *Notice*, we requested comment on a proposal submitted by CPB and other public broadcasting interests that the Commission adopt a rule requiring carriage? except in limited circumstances, of the entire signal of all public television stations providing Grace B service to all or part of a cable system's community. The public broadcasters' proposal would not require carriage of public television stations that simultaneously broadcast the same programming carried by another public television station. In addition, cable systems with twelve or fewer channels would not be required to carry more than three local public television stations if the systems need channel capacity to carry programming from nonlocal sources. Finally, CPB's proposal requires carriage of the entire signal transmitted

by the station, including services carried on the vertical blanking interval (VBI) or on aural subcarriers.

74. In support of this proposal, CPB alleges that the loss of cable carriage would undermine the financial stability of individual public broadcasting stations as well as the entire national public television system. CPB argues that without cable carriage, local public television stations would find it more difficult, if not impossible, to reach significant portions of the audience on which they rely for support. CPB claims that virtually all public television stations are dependent for support upon viewer contributions and that such funds are the fastest growing source of public televisions' total revenues. CPB also states that viewer contributions are key to fundraising because they are subject to "matching" funds from other sources such as corporate foundations and legislative bodies. Thus, CPB asserts that without cable carriage public television station access to viewers would be restricted and viewer contributions would be reduced, thereby affecting the amount of revenue received from available "matching" funds. CPB further contends that the loss of local viewer support would jeopardize the entire public television system. In this regard, CPB points to the cooperative arrangement among public television stations for financing program production. CPB concludes that if individual public broadcasting stations are financially weakened or forced off the air, the quality and diversity of the programming offered by the system as a whole would be adversely affected.

75. CPB also claims that this proposal complies with the First Amendment requirements established by the court in *Quincy* by stating that mandatory carriage of public television stations furthers a substantial governmental interest and is narrowly tailored to protect that interest. It states that Congress and the Commission have longstanding public interest policies regarding the fostering of a nationwide public television service built on local stations and that public television stations, especially those in the

UHF band, rely on cable carriage to reach their audiences, CPB asserts that its proposal is the least restrictive means of furthering that governmental interest. It submits that this proposal would not require carriage of duplicative program services, but would foster diversity even in the relatively few situations where multiple public television stations must be carried. It states that this diversity in programming is the essence of public television's mission. CPB also claims that its proposal accommodates the First Amendment interest of cable operators by assuring that even the smallest systems have the opportunity to present programming from sources other than local public television stations. It further asserts that required carriage of VBI and aural subcarrier signals is necessary because these technologies permit public television to offer services designed to implement Congress' mandate that public television stations use their facilities to the extent feasible to generate added revenue. In its reply comments, CPB points out that with the exception of public broadcasters, none of the other commenters recognize public televisions' unique role or advance proposals that adequately protect the unique governmental interest in supporting the public television service. Thus, it argues that any of the proposals that would allow the market to determine which stations cable systems would carry are not appropriate.

76. Other commenters who support mandatory carriage of public television stations offer alternative proposals. The Catholic Conference suggests that in order to promote the important governmental interest in the public receipt of locally oriented programming, must carry rules should favor public television stations operating within the cable community. The Office of Communication, United Church of Christ, *et al,* (UCC) jointly propose mandatory carriage for at least one noncommercial station for cable systems within the top 100 markets. UCC's proposal would provide that if there is more than one noncommercial station, the one with the highest local audience would be carried. The

City of New York Municipal Broadcasting System (WYNC) opposes any rule that would limit carriage of public television stations on the ground that such stations provide duplicative programming. WYNC claims that such a ground would not be based upon fact and that any resulting rule would be contrary to the public interest.

77. In opposing the CPB proposal, the Financial News Network (FNN) indicates that prior to *Quincy*, cable systems in major metropolitan areas were required to carry two or more public television stations, many of which duplicated programming of other public stations. FNN claims that the effect of the CPB proposal is nothing more than the reimposition of the former must carry rules found constitutionally invalid in *Quincy*. NCTA echoes this position and points out that, in many instances, the carriage of duplicating noncommercial stations would actually injure the noncommercial station that is most local by diverting local audience contributions. The Nineteen Cable Operators state that the CPB proposal must be rejected since it does not even address the concerns in *Quincy* that must carry rules should be sensitive to factors such as channel capacity, duplicate programming, and the preferences of cable subscribers. The Nineteen Cable Operators also contend that CPB's general allegations of financial harm are totally unsupported and that CPB has, therefore, failed to prove that its proposal is necessary to further a substantial governmental interest and that no less restrictive alternatives are available. They further argue that CPB's claims of harm to public television stations notwithstanding, other alternatives to mandatory carriage exist to protect public broadcasters such as the construction of TV translator and low-power stations, which do not infringe upon The First Amendment right of cable operators. Accordingly, the Nineteen Cable Operators assert that CPB's proposal could not withstand constitutional scrutiny.

78. NAB would treat public television stations in the same manner as commercial stations. That is, cable sys-

tems would not be required to carry duplicate network affiliates (i.e., PBS) and the affiliate in closer proximity to the cable system would have preference. Several other commenters propose a minimum carriage rule that would require retransmission of at least one noncommercial educational station.

79. NTIA's proposal recommends that the Commission adopt a rule mandating that cable systems carry, without charge, the signals of all local nonduplicated noncommercial educational television stations, including translators. These signals would be carried in their entirety on the system's lowest priced tier. NTIA states that noncommercial stations play a unique and important role in providing instructional, educational and cultural programming generally not available on commercial stations.

80. Beyond mandating carriage for public television stations, NTIA believes that the Commission has an obligation to ensure a smooth transition from pervasive regulation to less intrusive market competition. NTIA recommends that the Commission institute a formal, continuing inquiry and fact-gathering process so that the Commission can accurately monitor and assess developments in the less regulated cable-broadcast environment. The Commission should issue interim reports of its findings on a yearly basis. At the end of three years, the Commission should make a formal determination of whether additional must carry rules are needed. In this regard, NTIA states that the Commission is not currently in the position to know whether mandatory carriage rules are needed to protect local broadcasting.

81. Finally, NTIA suggests that the Commission make clear that it would permit affected parties, including local franchising authorities, to demonstrate that a significant governmental interest would be adversely affected absent local must carry protection. It states that if such a showing is made, the Commission can adopt mandatory carriage

rules tailored to that individual marketplace. NTIA further states that a case-by-case review of the need for mandated carriage in an individual television market would enure that the public interest is protected.

82. *Input Selector Switch Proposal.* Richard S. Leghorn proposes two rules that he claims would protect viewers' capabilities to receive over-the-air television in homes that subscribe to cable.[71] The first rule would provide requirements respecting A/B switches and the second rule would establish "may carry" conditions for cable carriage of broadcast signals. Mr. Leghorn contends that these proposals would further the Commission's objectives and be less intrusive into protected First Amendment rights than any mandatory carriage rule.

83. In regard to A/B switches, Mr. Leghorn proposes requiring television set manufacturers to build input selector devices into the sets' channel control systems to permit easy selection between cable and off-the-air programming. In the absence of a manufacturer-provided switch, he would require cable operators to install A/B switches the subscriber homes at cost and would prohibit them from disconnecting UHF antennas. As a corollary to the first proposal, he suggests that cable operators be exempt from the requirement to provide A/B switches if their system carries all local unscrambled VHF signals. A signal would be "local" if its Grade B contour overlaps any part of the cable system's community unit. The second rule proposed by Mr. Leghorn would authorize able retransmission of broadcast signals if carriage is without charge to the licensee, except for reimbursement for costs incurred by the cable system for facilities used to receive the broadcast signal or copyright fees. Additionally, he proposes to require cable systems to carry authorized sig-

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[71] Mr. Leghorn is a cable system owner and a former member of the board of directors of the National Cable Television Association.

nals in their entirety, without alteration or degradation and, if technically feasible, on the same channel number.

84. Mr. Leghorn contends that his proposed rules would ensure that subscribers have the opportunity to view off-the-air or cable programming. Thus, he believes that his proposal would meet the constitutional requirement that incidental governmental regulation of speech be narrowly tailored to meet the interests claimed to require that regulation.

85. NAB opposes the A/B switch proposal on the ground that such devices would not solve the problem of ensuring the availability of broadcast signals to television viewers. In this regard, it claims that in many instances off-the-air reception of broadcast signals is either nonexistent or, where existent, often cannot be received using an A/B switch without the use of substantial additional equipment that is owned by very few cable subscribers. NAB also raises several additional points to support its position that mandatory carriage rules are a solution preferable to A/B switches, including widespread local restrictions on outdoor antenna installation, receiver/switch incompatibility problems, radiation interference and pre-wiring of new homes for cable.

86. *Other Proposals.* CBS Inc. proposes a rebroadcast consent rule. The rule would permit secondary transmission of local or distant television signals by cable systems only upon written consent of the originating station. However, such authority would not be necessary with respect to local signals if the cable system carries all such signals in their entirety on the station's transmission channel, without charge or alteration. CBS states that inasmuch as teletext and multichannel sound are valuable enhancements to, and form an integral part of, main channel programming, the proposed secondary transmission rule would require transmission of these signals as part of the entire broadcast signal. CBS also proposes a conjunctive rule that

would allow cable systems to exclude the teletext, closed captioning and/or multichannel sound portions of the signal, if such retransmission would interfere with main channel programming, unless such interference can be remedied without a significant capital expenditure by the system. CBS asserts that the secondary transmission consent rule would promote competition and diversity in local and national markets and would effectuate the Commission's statutory responsibilities.

87. The Catholic Conference proposes a rule to protect stations which it asserts are at risk and which it believes merit carriage. This proposal Would require cable systems to carry stations that meet any of the following criteria: 1) the station devotes five percent or more of its programming for local interest or is locally originated; 2) the station is a public television station whose signal covers the community served by the cable system; 3) the station is a UHF station whose signal covers the community served by the cable system; or 4) the station is an independent commercial station whose signal covers the community served by the cable system. The Catholic Conference believes that these stations should be favored because they are likely to provide programming designed to meet the needs of the local community served by them and the cable system.

88. The Catholic Conference further espouses a point system for stations by which cable systems would be obliged to fill available channels. Points would be allocated as follows: 1) one point for every five percent of total programming that is locally oriented; 2) one point for a local public television station: 3) one point for a local UHF station; or, 4) one point for a local independent commercial station. The Catholic Conference would have stations annually submit their qualification point accumulations and appropriate documentation to the cable systems upon which they request carriage. The Catholic Conference would allow the cable operator to use its business judgment to

determine which station would be carried in the event two or more stations had the same point total and if the number of qualified stations exceed the number of must carry channels.

89. UCC proposes that cable systems in markets below the top 100 be required to carry all local stations, regardless of channel capacity. Under this proposal, local stations would be defined as those stations whose Grade A contour covered at least one-half the cable system's basic subscribers. UCC asserts that there are usually only a few, perhaps only one, such stations serving a cable community and that their carriage is crucial to people in the rural areas not served by the cable system. UCC believes that cable systems with limited channel capacity in the top 100 markets should be required to carry, in addition to at least one noncommercial station as discussed above: 1) any ethnic or minority-owned station serving a significant portion of the population reached by the cable system; 2) stations with more than 40 percent local programming directed to serving the needs and interests of the community; and 3) all UHF independent stations. It further argues that cable systems with larger capacity in the top 100 markets have incentive to carry all the programming they can obtain and that it is doubtful that there is any regulatory program that needs to be addressed. However, UCC states that the Commission would have full authority to intervene if problems arose with such systems.

90. Many commenters propose a geographic standard for defining "local" signals that cable systems would be required to carry. Most of these parties suggest a 50-mile zone using the city of license or transmitter location as a reference point. Other parties would require carriage of broadcast signals on all cable systems within their area of dominant influence (ADI). Some commenters propose requiring cable systems to carry any station whose Grade B contour overlaps the cable community. UCC suggests

that in markets below the top 100, cable systems must carry any signal whose Grade A contour encompasses at least one-half of the cable households. Lincoln Broadcasting, licensee of KSTF, would require carriage of all foreign language stations within 50 miles. Howard University and several others would require carriage of all local minority-owned stations.

91. Most of the commenters who support some sort of must carry rules would exempt those systems with twelve or fewer channels. Some parties would extend this exemption to systems with more than 12 channels if they have less than 1500 subscribers.

92. *The Industry Agreement.* The industry agreement requires cable systems with more than twenty usable activated channels to carry all qualified local stations, in their entirety, on the lowest priced tier.[72] However, this must carry obligation is subject to stated limitations based upon the number of usable activated channels carried by the cable system. Specifically, the proposal provides that systems with 21 to 26 usable activated channels are required to carry no more than seven qualified local stations. For systems with more than 26 usable activated channels, the proposal specifies that the number of channels subject to the mandatory carriage requirement shall not exceed 25 percent of the channels of the cable system. In situations where the number of qualified local stations is greater than the prescribed cap, the cable operator is given discretion to select among the stations qualified for mandatory carriage.

93. Under the industry proposal, a qualified local station is defined as a broadcast television station that is located

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[72] The agreement defines "useable activated channels" as "those engineered at the headend of the cable system for the provision of services generally available to residential subscribers of the cable system, less channels reserved against interference with aeronautical frequencies."

within 50 miles of the cable system[73] and that attracts an off-the-air audience that meets or exceeds a minimum viewing standard. To meet the viewing standard a station must receive at least a two percent share and five percent net weekly circulation in noncable homes by county.[74] Only domestically-licensed, primary, full power television stations which deliver a good quality signal to the cable system's principal headend are eligible for mandatory carry status.[75] The scope of the mandatory carriage obligation does not extend to signals contained in the vertical blanking interval. A cable system has the discretion to determine the channel position of the stations subject to mandatory carriage. In addition, it is not required to carry more than one qualified local station affiliated with the same commercial or public television network. However, the agreement specifies that if the system chooses to carry more than one station affiliated with the same network, it will not be subject to network nonduplication restrictions. In addition, a system is barred from charging for carriage for any nondistant signal that is covered by the

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[73] The fifty mile requirement is computed by measuring from the principal cable headend to the reference point of the station's city of license.

[74] The industry agreement utilizes different viewership criteria for new and existing stations. To qualify for mandatory carriage status, an existing station is required to demonstrate, using independent professional audience surveys, that it has achieved the requisite audience share for the previous television survey season. This showing is made on the basis of audience surveys undertaken during a separate consecutive four-week period in each of the four quarters of that season (i.e., April-June, July-September, October-December, and January-March). A new station, in contrast, "may satisfy the viewership test by presenting survey evidence gathered by a recognized rating service" and will retain its status as a qualified station until survey data for its first full television survey season—which extends from April until March—are available.

[75] Low power TV stations, TV translators, and TV boosters do not qualify for mandatory carriage. In addition, television stations licensed by foreign governments are not entitled to mandatory carriage.

compulsory license, whether or not that signal is subject to the mandatory carriage obligation, although a qualified broadcast station will be permitted to reimburse a cable operator for either copyright costs or the costs associated with delivering a good quality signal.[76]

94. Of the parties responding to the Commission's request for comment on the joint agreement, approximately a dozen parties, mainly representing broadcasting interests, express support for the proposal, as submitted. However, among the parties that submitted the agreement, the degree of support varies. NAB, INTV, and TOC strongly support the must carry proposal. NCTA supports the agreement, but believes that the court will have to ultimately decide its constitutionality. CATA does not believe that any must carry rules can meet the standards set forth in the *Quincy* decision. However, CATA states that if the Commission believes that rules are needed, it supports this proposal as workable and acceptable to the affected industry groups. A few commenters, such as DOJ, TBS, and American Cable Publishers Institute (ACPI), oppose any form of mandatory carriage regulation, including the industry proposal. The majority of commenters fall into one of two categories. One group would support the industry proposal if it were modified to protect selected interest groups, as they suggest in their comments. A second group opposes the industry agreement because it does not provide sufficient protection for specified interest groups. Many of the commenters from both of these groups recommend that the Commission either adopt a modified version of the industry proposal or some alternative form of must carry rules. Finally, several commenters offer opinions on selected aspects of the industry agreement without expressing either support for, or opposition to, the proposal itself.

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[76] In resolving disputes over the rules, the industry proposal specifies that the burden of demonstrating a right to mandatory carriage will be borne by the broadcast station.

95. In the *Order*, we requested comment on the industry agreement with emphasis on two specific issues. The first of these issues was the extent to which the parties submitting the industry agreement have been able to successfully incorporate into the agreement the specific interests of the various discrete groups involved. In particular, we indicated that we were interested in the impact of the agreement on broadcasters (noncommercial, commercial, VHF, UHF, new, established, general interest, and narrowcast stations), cable system operators, alternative users of cable channels, cable system subscribers, nonsubscribers and the public in general. Most of the commenters on this issue are broadcasters who believe that their stations will be harmed if the agreement is implemented.

96. Supporters of the industry agreement believe that it generally serves the interests of all parties by balancing the need to provide the public with free, over-the-air, local television service while preserving the maximum flexibility and discretion in cable programming for cable operators. These parties recognize that it is impossible to fully satisfy all interests, but submit that the agreement sets forth a framework for a healthy coexistence of cable and broadcast television that will result in an optimal variety of locally-oriented and other television service. They state that the industry agreement is fair to all types of broadcast stations because carriage rights are determined on a neutral, nondiscriminatory basis. These commenters further state that it protects the public interest by assuring that viewers will continue to receive local programming that is intended to meet community needs.

97. Numerous broadcasting interests assert that the industry agreement accommodates only the economic interests of established commercial broadcast licensees and cable systems. These commenters represent a substantial portion of the submissions the Commission received. They imply that if the specified interest is harmed, the public, both

cable subscribers and nonsubscribers, will be affected by the loss of some television service.

98. CPB and other public broadcasting interests, as well as numerous informal commenters, claim that the industry agreement does not recognize the substantial governmental interest in and commitment to a public broadcasting service that provides programming to a narrow audience group. In particular, the public broadcasting interests argue that the viewing standard is inappropriate and that the use of such a criterion for determining must carry eligibility would penalize local public broadcasting stations for fulfilling the very role that was envisioned for them.

99. Public broadcasters also believe that other elements of the industry proposal would dilute their carriage rights. They claim that their carriage rights would be limited by the use of a 50-mile zone. They submit that the area covered by such zones is often smaller than their Grade B service areas. CPB cites A.C. Nielsen data to indicate that 68 percent of all cable systems, serving 16 percent of all cable subscribers, would be exempt from any carriage requirements because they carry 20 or less channels. Public broadcasters also claim that they are likely to be denied cable carriage in the 47 markets with eight or more television stations, and 67 percent of all television households, if the cap on the maximum number of must carry channels is retained. Again, as in earlier comments, these parties point out that duplicative public broadcasting stations do not provide duplicative service in the same manner as network affiliates. Several of these commenters further state that the failure to require carriage of noncommercial translators and satellite services will undermine many state and regional public television systems that rely on them to overcome the technical difficulties of UHF transmission and extend their service to remote areas.

100. In order to remedy these perceived infirmities with the industry agreement, public broadcasting interests pres-

ent a variety of proposals that would guarantee mandatory carriage to some or all local public broadcasting stations. Among these proposals is the plan submitted by CPB in its initial comments, and supported here by the Ohio Educational Broadcasting Network, to require the carriage of all Grade B noncommercial educational stations on the basic tier. The Maryland Public Broadcasting Commission and NATPE International believe that the agreement should be modified o require carriage of at least one public television station. The Metropolitan Board of Education believes that all local public television stations should be entitled to mandatory carriage rights on all but the smallest systems. NTIA proposes the adoption of a must carry rule that mandates carriage of all nonduplicated noncommercial educational television stations, including translators, in their entirety on the lowest priced tier, but would not extend mandatory carriage to commercial stations.

101. Licensees of other types of broadcast stations that program for narrow interest groups, such as minority, specialty and religious stations, express concerns similar to those of the public broadcasters regarding their ability to attain carriage rights under the industry agreement. New stations also are concerned that they will be unable to qualify for cable carriage if the agreement is adopted. Some of these commenters argue that they will be hurt by the provisions of the industry agreement that place a cap on the maximum number of must carry signals and that exempt small systems from such requirements altogether. A number of these parties propose modifications to the industry agreement or propose their own must carry requirements to guarantee greater access for stations that appeal to smaller audiences. Among these is a proposal by the National Coalition for Minority Broadcasters (NCMB) that would require carriage of all religious, minority, specialty, and public broadcasting stations in addition to all nonduplicated commercial broadcast Stations. WNJU-TV Broadcasting Corporation believes that at least

one channel should be reserved for a specialty station. MPAA and several other commenters recommend that the small system exemption be lowered to include only truly saturated systems, i.e., those with 12 channels or less. The Grant Broadcasting System and several other suggest requirements for carriage of all new stations for a specified period of time ranging from two to five years similar to several of the proposals submitted in response to the *Notice*. Allen Broadcasting proposes that the cap on the maximum number of required must carry signals be raised or eliminated.

102. These interests also are concerned that the viewing standard will limit their ability to qualify for must carry rights. Several commenters propose alternatives to the proposed viewing standard. Allen Broadcasting contends that new stations should be carried from their commencement of operation until survey data for the first full television survey season are available, irrespective of the limits on must carry signals. The City of Boston proposes that the viewing standard be eliminated for public broadcasting and minority stations.

103. The industry agreement is also opposed by several network affiliates that are licensed to small markets that are near large markets. These stations believe that they will be denied carriage under the industry agreement because cable systems will prefer to carry the affiliates from the nearby larger market. They state that the provision in the industry agreement that exempts systems from carrying duplicating network affiliates ignores the fact that affiliation with the same network does not necessarily mean that there is an excessive amount of duplicated programming. These affiliates also submit that the exemption from must carry requirements for systems with 20 or less channels disproportionately affects small market signals because a high percentage of these systems are in markets ranked below 100.

104. The second issue addressed in the *Order* was the extent to which the agreement successfully addresses the relevant constitutional concerns raised in the *Quincy* decision. Supporters of the industry agreement contend that it is constitutional under the test applied in *Quincy* and is responsive to the court's concerns. They assert that it strikes a proper balance between the First Amendment rights of broadcaster and cable operators and that it also recognizes the interests of cable subscribers and programmers. These parties state that the Commission now has a sufficient record to support the adoption of these must carry rules.

105. According to its supporters, the industry agreement is narrowly tailored to preserve cable operators' editorial discretion and also to protect the goal of localism by ensuring the availability of a modicum of local television service. They argue that this proposal does not coerce the speech of cable operators. In this respect, they point out that it allows cable operators to select the qualified television stations they wish to carry when the number of qualified stations is greater than the number of channels set aside for must carry signals. In addition, they note that under the industry agreement, no mandatory carriage requirements are imposed on operators of small systems. They further argue that in any event, no cable system will be required to allocate more than one third of its channel capacity to must carry signals, and in most cases no more than twenty-five percent. Supporters argue that through these provisions the agreement is also responsive to the concern that cable programmers be afforded access to cable subscribers. These commenters contend that the industry proposal also gives consideration to the preferences of cable viewers since the viewership standard serves as a surrogate measure of viewer demand for a given station. Finally, they submit that by not requiring carriage of duplicative stations, channel capacity bgcomes available for nonbroadcast cable services desired by subscribers.

106. Many opposing commenters do not believe that the industry agreement is responsive to the court's concerns. These parties include some who argue for must carry rules, and others who oppose any mandatory carriage requirements. Many parties, especially those whose stations would not qualify for carriage if this proposal were adopted, argue that the proposed rules are not narrow enough because they protect established broadcasters, rather than those whose economic well-being is most at risk. Several of these commenters criticize the viewing standard. They argue that it discriminates against stations with the greatest public interest need for protection. Many view the proposed rules as less burdensome on cable operators' First Amendment rights than the old rules. However, they comment that the rules proposed in the industry agreement still infringe on these rights by restricting cable operators' programming decisions. These opposing commenters contend that the requirement that cable operators devote a specified number of channels to must carry signals is an intrusion on their editorial discretion because it precludes their carriage of other services. They argue that the industry agreement favors one class of speaker, broadcasters, over cable operators and cable programmers. Finally, some commenters contend that the constitutionality of these or any other must carry rules cannot be demonstrated because any mandatory carriage requirements would impose unnecessary restrictions on cable operators' First Amendment rights.

107. We turn next to the question of how well the industry agreement would serve the federal policy interests in the must carry matter. A substantial number of broadcast commenters believe that must carry rules are needed to sustain the important governmental interest in localism. However, some of these commenters do not agree that the industry agreement is the appropriate policy for the preservation of local television service. As was indicated above, several classes of broadcast stations fear that they would not qualify for carriage under the agreement and

their ability to serve the public through local television service would be severely curtailed.

108. Proponents of the industry agreement assert that it is consistent with the statutory framework of the Communications Act and would promote diversity of media voices and viewpoints in local television markets. They state that the industry agreement would assure that viewers will continue to have local signals available to them and that local stations will continue to be able to reach the communities they are licensed and required to serve. In their view, the industry agreement is intended to accomplish this end without unnecessary regulation, as is reflected in the market forces that would be the basis for qualification for carriage. They submit that, in this manner, the industry agreement would result in only minimal intrusion on the First Amendment rights of cable operators while protecting the availability of a modicum of local television service.

109. Parties also comment on other elements of the industry agreement. The first of these concerns is the proposed elimination of the network nonduplication rules. Meridian Communications Corporation, the only nonsigner of the agreement favoring this aspect of the proposal, states that the elimination of these cable rules would give cable operators greater discretion to carry signals of their choice and to avoid the overbreadth problem that the court found in the vacated rules. Several small market broadcasters comment that the elimination of this protection is likely to harm them. They state that the nonduplication rules have important benefits, foster localism, and are in the public interest. They claim that without these rules a few large market stations would be able to dominate smaller market affiliates, especially in the West. They also point out that the nonduplication rules were not invalidated by the *Quincy* decision and have no impact on cable operators First Amendment rights. These parties argue further that repeal of the network nonduplication rules is

beyond the scope of the *Notice* and a further rule making proceeding would have to be initiated if such action is contemplated.

110. The industry proposal also prohibits a cable system from accepting any payment for the carriage of a qualified broadcast signal except to defray copyright costs or costs associated with the delivery of a good quality signal. The Nineteen Cable Operators oppose this blanket prohibition against charging for cable carriage, especially for former must carry signals that would no longer qualify. They state that cable access is a valuable commodity which should be allocated according to the demands of free market forces to the greatest extent possible. Further, they believe that this ban goes against the leased access provisions of Section 612 of the Cable Act. Tribune supports the ban on payment since there is a possibility that cable operators would abuse their monopoly position in the marketplace and essentially create a system that assures must carry rights only for the rich.

111. The industry proposal does not require cable systems to carry any transmissions on the vertical blanking interval, such as teletext, or any other signal enhancements, including multichannel sound (MTS). Those commenting on this issue state that any must carry rules should not unconditionally permit a cable operator to strip these portions of the broadcast signals which are intended for all viewers. Additionally, CBS comments that the industry agreement, if adopted, should be amended to require on-channel carriage for viewer convenience.

112. Senator John C. Danforth, in his July 22, 1986, letter submits a proposal intended to follow the basic outline of the industry agreement. Senator Danforth's proposal differs from the industry agreement in several key respects. First, it would require that must carry rules apply only to cable systems that have no direct competition in the franchise area (i.e., "monopoly" cable systems) re-

gardless of channel capacity (i.e., must carry obligations apply to systems with fewer than 21 channels). Second, the proposal provides that cable systems subject to the rules would be required to devote one-third (33 percent) of their activated channel capacity to carriage of qualified local television stations, and to reserve one-quarter (25 percent) of their set-aside capacity for carriage of public television stations. Third, The proposal maintains the 50-mile zone/viewing standard test for determining commercial stations that qualify for must carry status, but would permit audience measurements to be conducted in noncable, cable, or all television homes, at the option of the local station.[77] Also, it would exempt public stations and commercial stations that have been on the air less than twelve months from the viewing standard, and would make eligible for mandatory carriage translators of public stations.[78]

113. Senator Danforth's proposal also includes several recommendations that concern subjects not addressed in the industry agreement. It would require cable systems to provide A/B switches, by sale or lease, upon request of the subscriber and would implement a narrowly applied waiver procedure for cable systems and local stations. The Senator also suggests that following implementation of must carry rules, the Commission monitor market developments, periodically report its findings to Congress, and

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[77] According to Senator Danforth, permitting local stations to choose the method of audience measurement would minimize the ability of cable systems to drop stations that have significant viewing shares in cable homes, but have insignificant shares in noncable homes due to reception difficulties.

[78] Like the industry agreement, this proposal would not require carriage of duplicated public stations. A station would be considered nonduplicated if 50 percent or less of its average program week consists of the broadcasting of the same episode of a program by another local station within the same week, comparing schedules of the stations for the same seven day period, sign-on to sign-off.

from time to time reexamine the rules to determine whether changes are needed.

DISCUSSION

The Federal Interest

114. In recent years, there have been significant changes in the system for providing television service in the United States, particularly with respect to the role of cable television. As commenting cable interests and the court discuss, the cable industry has continued the process of developing new program services and sources that we observed in the *Economic Inquiry Report.* Through this process, the cable industry has evolved from a mere supplemental provider of programming to become more of a direct competitor with the broadcast television industry. In this respect, cable systems currently are the predominant means of distributing satellite-delivered program networks and premium program services to consumers.[79] Moreover, as indicated in the comments, many cable systems are now providing locally originated programming services. We further recognize that some systems are selling time to advertisers on non-broadcast program channels in order to generate revenue. Thus, the cable industry is now a full-fledged video service providing consumers with alternative programming choices that are competitive with the services of broadcast stations. In offering alternative program services to their subscribers, cable operators now function as independent media voices exercising broad editorial control over content.

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[79] Satellite program services have increased rapidly since the development of satellite distribution technology. Today, at least 57 video, 11 text, and 11 audio channel satellite-delivered program services are operating. National Cable Television Association, *Satellite Services Report,* February 1986. The most widely available satellite programming services, Such as CNN, CBN Cable Network, ESPN, SIN Television Network, and USA Network, reach at least 30 million television households each. *Cablevision,* March 31, 1986, at 40.

115. In considering the federal interest in this matter, we observe that our statutory mandate under Sections 151 and 303(g) of the Communications Act is "to make available, so far as possible, to all the people of the United States, a rapid, efficient radio communications service" and "generally encourage the larger, more effective use of radio in the public interest."[80] In furtherance of this statutory mandate, we have consistently pursued policies intended to develop a nationwide television system that maximizes diversity and choice in television services. In recent years, the expansion of cable systems' channel capacity has provided the means for distributing a significantly increased number of program services to viewer households. This additional program delivery capacity has provided opportunities for new program services to develop. In particular, the increased channel capacity of cable systems has made possible the development of satellite-delivered cable networks and premium channels. We find that the introduction of these satellite services distributed by cable systems, and the expansion of cable service as a whole, is fully consistent with the traditional governmental interest in maximizing the choices of television programming available to viewers.

116. Our objective to maximize the program choices available to consumers, particularly through cable services, is now specifically part of our statutory mandate in the Communications Act. In this respect, Congress determined that diversity and competition should be the fundamental underpinnings of federal, state and local government regulation of cable services. This Congressional recognition of our policies, which is set forth in Section 601 of the Cable Act, endorses policies designed to ensure that "cable communications provide and are encouraged to provide the widest possible diversity of information sources and services to the public" and to "promote competition in cable

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[80] 47 U.S.C. §§ 151 and 303(g).

communications and minimize unnecessary regulation that would impose an undue economic burden on cable systems."[81] The Congress has also expressed, in Section 307(b) of the Communications Act, its will that broadcasting signals be distributed "among the several states and communities" in a fair and equitable manner. The plan the Commission is adopting, as set forth below, contributes toward both statutory goals.

117. We also observe that the federal interest in ensuring access to program choices includes ensuring access to the service of noncommercial educational television stations. During the interim period under the new rules, we find that a particular rule provision for carriage of noncommercial stations is justified. In this respect, both Congress and the Commission have sought to establish a form of television service that is not subject to the same market forces as commercial broadcast and cable television. For example, in the *Sixth Report and Order on Television Assignments,* Docket Nos. 8736 and 8975, 41 FCC 148, the Commission recognized that noncommercial stations could not compete effectively with commercial stations and so reserved 242 television channels for noncommercial use.[82] Similarly, in enacting the Educational Facilities Act of 1962,[83] Congress provided funds for noncommercial television stations. Congress further affirmed and strengthened the goal of extending noncommercial television when it enacted the Public Broadcasting Act of 1967.[84] There-

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[81] 47 U.S.C. §521.

[82] *See Sixth Report and Order on Television Assignments,* Docket Nos. 8736 and 8975, adopted April 11, 1952, 41 FCC 148.

[83] *See* Pub. L. No. 87-447, 76 Stat. 64 (1962); *see also* 47 U.S.C. §§396(a)(5) and (6).

[84] *See Pub. L. No. 90-129, 81 Stat. 365 (1967); see also* 47 U.S.C. §§396(a)(5) and (6). Congress affirmed and strengthened the goal of extending public television to as many people as possible in the Public Broadcasting Act of 1967. There, Congress stated that "it furthers the

fore, in order to ensure continued access to noncommercial television service during the interim period for consumers to gain the awareness and capability to receive television signals independently off-the-air, particular provisions of the interim regulatory plan described below pertain to the carriage of noncommercial stations. As with our general rules, we do not believe that signal carriage obligations for noncommercial stations beyond the interim period established today are warranted, given the input selector switch rules and consumer education program established herein.

118. In considering the must carry matter, we find that there are substantial and significant federal interests with respect to maximizing the video programming choices available to consumers. We find that these interests are of sufficient importance that they merit regulatory intervention to ensure viewer access to the maximum number of program choices available through cable and off-the-air broadcast television facilities. However, we recognize that regulations designed to ensure access to program choices also are likely to be intrusive on cable operators' editorial discretion and, therefore, we believe that any such regulations should be limited in both scope and duration to the minimum necessary to achieve the preservation of this access.

119. We observe that our assessment of the federal interest is premised on concerns that differ from those propounded by some of the supporters of the industry agreement; this assessment of the federal interest also is different from that relied upon by the Commission, i.e.

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general welfare to encourage public broadcasting services," and that "it is necessary and appropriate for the Federal Government to complement, assist, and support a national policy that will effectively make public broadcasting services available to all of the citizens of the United States" *See* Pub. L. No. 90-129, 81 Stat. 365 (1967); *see also* 47 U.S.C. §§396(a)(5) and (6).

Section 307(b), in initially adopting the former must carry rules.[85] However, after considering the changed structure of the overall video market resulting primarily from the emergence of the cable industry as a means for distributing new program services, we conclude that it is no longer appropriate or desirable to treat cable as an auxiliary video distribution service and to protect local broadcast television service from competition with cable service.[86] In this respect, we believe the public interest would be better served by a policy that maximizes program choices, rather than one that that protects one segment of the television industry by substantially limiting the ability of others to offer service to consumers. In general, we believe that it would not serve the interests of video consumers to maintain policies that favor any group of program service providers to the exclusion of other competing service providers, especially where such policies may hinder consumers' access to those competing program services. Our policy decision, as set forth below, is, therefore, designed to maximize the availability of program choices by competing providers both off-the-air and on cable.

120. We also are concerned that the First Amendment rights of cable operators not be abridged. In their earliest stage of development, cable systems served exclusively as passive retransmitters of broadcast signals. As cable systems have expanded their services to include programming from other sources, the editorial role of cable operators has grown accordingly. This editorial function whereby cable operators select and tailor their program mix to meet viewer interests or other objectives is akin to that performed by publishers of print media. Like the *Quincy* court, we recognize that concomitant with the expanding role of

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[85] This is not to say that the regulatory plan we are adopting does not have the ancillary effect of furthering some of those interests, e.g., Section 307(b).

[86] *See First Report and Order, supra,* at 699.

cable systems in providing program services is the expansion of cable operators' editorial discretion which is protected by the First Amendment.[87] Thus, any regulations we may consider in furtherance of our maximizing programming choices and competition goals must be weighed in terms of their impact on cable operators' and cable programmers' First Amendment rights.

The Need for Regulation

121. The central issue in the must carry matter is the perception that cable systems may be able to preclude access by their subscribers to off-the-air broadcast signals. This perception derives not form any inherent characteristic of cable service, but rather from cable subscribers' current expectation that broadcast signals will always be available as part of their basic cable service. This expectation is a direct result of the former must carry rules, which, in fact, required cable systems to carry all available off-the-air broadcast television signals. The expectation that local broadcast signals will be carried by their cable system has caused many subscribers to perceive that there is no need to install or maintain the capability to receive broadcast signals off-the-air. Cable operators have evidently encouraged this view. However, the technology of cable service does not necessarily preclude the use of antennas and other equipment for independent off-the-air reception of television signals.

122. Therefore, as evidenced by data discussed below, when consumers subscribe to cable service, they tend to

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[87] *See Quincy, supra* at 1453. In recent years, lower federal courts have also recognized that cable operators engage in activities protected by the First Amendment and some have subjected our cable rules to more rigorous First Amendment analysis. *See e.g., Tele - Communications of Key West, Inc. v. United States*, 757 F.2d 1330, 1336 (D.C. Cir. 1985); *Preferred Communications, Inc. v. City of Los Angeles*, 754 F.2d 1396 (9th Cir. 1985); Midwest Video Corp. v. FCC, 571 F.2d 1025, 1052-1057 (8th Cir. 1978), *aff'd* on other grounds, 440 U.S. 680 (1979).

disconnect, and in most cases dismantle, antennas used with existing receivers. From the data it is also apparent that where cable subscribers connect new state-of-the-art television receivers to cable service, they often also do not connect those receivers to antennas. In addition, under the former must carry rules, most cable subscribers were unfamiliar with, and indeed had no reason to be familiar with, an input selector device for choosing between cable and off-the-air broadcast service. As a result, most cable subscribers have come to perceive that their only means of access to off-the-air signals is through their cable service. This has led to the perception that cable has the power to function as a gatekeeper, determining which local broadcast signals will be available to the cable subscriber. Thus, we recognize that our former must carry rules have created a misperception on the part of cable subscribers which needs to be corrected before economic forces can be relied upon to achieve maximum diversity in program choices for the public.

123. Our review of the cable industry indicates that its development has progressed such that cable is now becoming a major factor nationwide. As shown on Table 1, cable service is now available to 76 percent of the television households nationwide and cable subscribership is now 47 percent nationwide. This contrasts with levels of homes passed and cable penetration of 44 percent and 19 percent respectively in 1979, when we last examined the economic relationship between cable and broadcast television. It also is expected that cable will continue to expand in the future. According to a recent study by Arthur D. Little, Inc., the number of cable households will increase to 48 million by 1990. Using International Communications Research's estimate that there will be 94 million TV households in 1990, this translates to 51 percent cable penetration by 1990. Table 2 shows that cable penetration is highest in smaller markets and that this pattern has re-

mained relatively stable over time and with increasing levels of cable penetration nationwide.

124. As revealed by the ELRA study submitted by NAB, it is plain that cable subscribers now generally have not installed or maintained the antennas and associated equipment necessary for satisfactory reception of broadcast signals off-the-air. In addition, other research indicates that the increased cable penetration in recent years has been accompanied by a decline in dependence on antennas for reception of television signals. This phenomenon is evidenced by the data in Table 3, which indicates decreases in the number of outdoor and indoor antenna sales of 35 percent and 26 percent respectively. While sales of antennas are declining, sales of cable-ready television receives that are intended primarily for use with cable service have tripled in the same period and now comprise 58 percent of the total TV receivers sold. Cable-ready television receiver growth is shown on Table 4.

125. From the above, it is plain that cable systems have sufficient reach to affect almost one-half of the potential audience for broadcast television service in communities nationwide, and that this reach is even greater in smaller markets. Also, the available information on antenna use and sales indicates that cable subscribers in general currently do not have the antennas in place to provide satisfactory reception of off-the-air broadcast stations that are not carried on their cable systems. Further, the data on TV receiver sales show that cable-ready sets now command more than one-half of the market and that the market for these receivers appears to be continuing to grow. We believe this information demonstrates a trend away from reliance on off-the-air reception of television signals. Thus, we find that the current misperceptions by subscribers and their resulting behavior, coupled with the growth of cable service nationwide, have produced the result that cable television systems have a perceived ability to affect access to broadcast television service by a substantial portion of

the population. We believe this perceived ability is likely to persist in the absence of a shift in subscriber awareness and practices with respect to maintenance of effective off-the-air reception capability.

126. Because cable subscribers have not perceived the need to maintain or install antennas and input selector switches, their access to off-the-air broadcast signals is limited to those carried by the cable system to which they subscribe. If We did not adopt interim must carry rules now, until our long-term regulatory plan to educate consumers on the need for independent access to off-the-air signals and to make input selector switches available takes hold, harm to The public interest would ensue. Subscribers would be disadvantaged by not being able to view broadcast signals dropped by their cable system. This harm would result even though cable systems do not create a barrier *per se* to use of antennas for receiving broadcast signals off-the-air. In this respect, the UHF antenna terminals of most currently used television receiver are not affected by connection of cable service, and the VHF antenna terminal can be used for off-the-air reception if the cable service is connected through an input selector switch.[88] Thus, it is subscribers' current misperception that it is not necessary to have direct off-the-air access to broadcast signals that impedes the ability of broadcast stations that are not carried on cable systems to compete for the attention of cable subscribers.

127. As indicated above, we believe that competitive market mechanisms generally are the most appropriate method for assuring that the interests of consumers are satisfied. In the instant case, the increased competition

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[88] Cable ready receivers generally disable the UHF antenna terminals when used in the cable ready mode. Use of UHF antennas with such receivers would require the viewer to use the mode switch on the receiver to alternate between cable service and off-the-air UHF reception.

resulting from the emergence of independent cable programming benefits the public by providing additional viewing choices and by leading broadcasters, cable operators, and cable programmers to be more attentive to viewers' program interests and preferences. Competition, coupled with the additional program channels typically provided by cable systems, also helps promote the availability of a greater variety of programming from diverse sources. In this regard, an open, competitive market where there is potential for access by all suppliers of video program services should operate to provide the mix of programming and viewing choices that most effectively meets public demand. In addition, a competitive market would ensure that television services and facilities are provided at the lowest cost to all parties. We further note that a competitive market would promote these desirable industry performance results without governmental regulatory intervention.

128. We also recognize that a competitive market may not lead cable operators to carry all of the television signals that can be received off-the-air in their communities. But such a result furthers the public interest if cable systems are able to replace an off-the-air signal with a signal from another source for which their subscribers would have a greater preference. Moreover, so long as cable subscribers are aware that they can receive the signal off-the-air, their overall program choices are maximized. While cable systems and broadcast stations compete directly in many respects, they are also complementary in others and it is clear from the record that cable systems do have incentives to carry broadcast stations. Thus, in cases where a cable system chooses not to carry a particular broadcast station, it does not necessarily indicate a public harm, but may simply reflect the fact that there is not sufficient demand for the station by the system's subscribers to warrant carriage. This is particularly likely to be the case for limited channel capacity systems where there are strong

incentives to use the available channels for the most popular programming.

129. In this regard, we recognize that other program sources, such as the many satellite networks, make strong contributions toward satisfying the informational and entertainment needs of the public. We further observe that "cable satellite programming" as defined in Section 705 of the Cable Communications Policy Act of 1984,[89] is an important source of programming for many noncable subscribers, particularly in rural areas, through home satellite dish (HSD) facilities.[90] In view of the fact that satellite programmers' current primary means of access to viewers is through cable systems, the public's interest in satellite cable programming warrants recognition in our decision making process n the must carry matter.

130. An environment where consumers have maximum access to the available viewing choices, which our two-part regulatory program is designed to achieve, also contributes to the furtherance of the goals under our traditional interpretation of Section 307(b) of the Communications Act that television signals be distributed ". . . among the several States and communities." in a fair and equitable manner.[91] In this regard, we believe that the additional program sources that have flourished during the cable industry's

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[89] 47 U.S.C. §705.

[90] Since the Commission deregulated receive-only earth stations in 1979, sales of HSDs have risen dramatically. An industry source indicates that 1,345,000 HSDs were in use by the end of 1985, representing 1.6 percent of television households in the United States. First Communications Group, *The Home Satellite State of the Industry Report, January, 1986, at 7, 15.* The HSD industry is currently facing a period of some uncertainty as many satellite programmers are implementing scrambling systems. The future of this industry and the ability of noncable subscribers to access satellite programming will depend in large part on the decisions of these programmers with respect to marketing their scrambled services.

[91] 47 U.S.C. §307(b).

growth, in particular the many satellite networks, contribute to this goal.

131. There is only limited direct evidence available concerning the behavior of cable systems in the absence of must carry regulation and the effects of such behavior on their subscribers' program choices. While cable systems generally have continued to carry those stations that are available off-the-air in their communities in the period since the *Quincy* decision, there is evidence in the record that some cable systems have ceased to carry individual broadcast stations, refused to carry new stations, and/or requested payment for carriage of stations. In this regard, the reports of the experiences of commercial and noncommercial stations with respect to carriage by cable systems, coupled with the information on cable subscribers' practices with respect to maintaining independent off-the-air reception capability, indicates that some cable subscribers currently may not have access to all of the broadcast signals available in their area. In considering the evidence of cable industry behavior in the absence of must carry rules, we are also aware that many cable operators thus far may have been hesitant to act as if there were no such rules in view of the appeal by the NAB and others of the *Quincy* decision and our pending rule making in this matter (and NCTA leaders have apparently suggested to members that they continue to carry local signals until this matter is settled).

132. We find the FTC study of SMATV signal carriage practices to be somewhat instructive in that, to the extent that SMATV systems and the economic environments in which they operate resemble the cable industry, it provides indication that economic forces are not likely to lead cable systems to carry all of the broadcast signals available off-the-air in their local communities and that the number of broadcast signals carried by cable systems operating in an unregulated environment is likely to be influenced by the availability of other program services. However, this study

does not provide any definitive information about cable signal carriage practices in the absence of must carry rule or the effects of such practices on cable subscribers' access to the available off-the-air broadcast signals.

133. In summary, we find that the current practices of consumers with respect to connecting their television sets to cable systems has led to the perception that cable operators have the ability to limit their subscribers' access to broadcast television signals. This misperception is inimical to the public interest in that it tends to frustrate our federal objectives of maximizing program choices and promoting a fair and open competitive market environment that will produce programming that meets viewers' interests and preferences. The rapidly evolving cable industry with its changing economic incentives makes it difficult to provide an accurate forecast of the effects of the signal carriage practices of cable systems in the absence of must carry rules on viewer access to program choices. What is clear, however, is that a substantial number of cable subscribers have not maintained independent off-the-air reception capability. As a result, many subscribers currently would not be able to view those broadcast signals not carried by cable systems. We also find that there is ample evidence that cable penetration nationwide has reached a level where there is potential for this problem to affect a substantial portion of the population.

134. Thus, we conclude that some form of regulation is necessary to correct these undesired effects of our former rules in order to prevent them from further hindering the achievement of our federal objectives concerning cable and broadcast television service. Such regulation must be designed to give viewers the capability to preserve and reestablish their independent access to the available off-the-air program choices and to promote a competitive industry structure that will foster the development of new program choices. In addition, any regulation must achieve these objectives in a manner that will be least intrusive on the

First Amendment rights of cable operators and cable programmers.

TABLE 1

Growth of the Broadcast and Cable Industries

	1972	1975	1979	1983	1986
TV Households (millions)	65	70	75	83	86
Total TV Stations	905	958	992	1095	1206
Commercial TV Stations	699	711	732	802	898
Affiliates	607	625	620	623	628
VHF	476	483	485	501	485
UHF	131	142	135	122	143
Independents	92	86	112	179	270
VHF	34	30	31	25	39
UHF	58	56	81	154	231
Noncommercial TV Stations	206	247	260	293	308
VHF	89	95	102	114	117
UHF	117	152	158	179	191
Cable Television					
No. of Systems	2841	3506	4150	4825	6844
Homes Passed (millions)	11	20	33	45	65
Homes Passed (%)	17	29	44	54	76
Basic Subs. (millions)	6	9.8	14	28	40
Penetration (1%)	9	14	19	34	47
Pay Subs. (millions)	0	0.5	5	23	22

Sources: Television Digest's *Television Factbook;* Broadcasting's *Yearbook;* Arbitron's *Markets and Rankings Guide; Cablevision,* April 11, 1983, at 69; *Cablevision,* February 10, 1986, at 56; *Television & Cable Factbook,* Handy Pocket Directory of Television Stations in Operation, March 1985; and *1986 Cablefile.*

Cable Television

TABLE 2

Cable Penetration By Market Rank

Market Rankings	1972	1976	1980	1984
All Markets	10.8	15.1	22.1	43.0
1 - 25	7.4	10.2	15.7	36.5
26 - 50	9.4	15.5	22.9	46.4
51 - 100	11.9	17.5	26.2	48.0
101 - 150	20.6	24.8	33.9	52.5
151 - end	33.9	40.3	47.6	59.3
1 - 10	8.4	10.6	14.0	33.6
11 - 20	8.5	10.2	14.2	37.5
21 - 30	5.0	12.2	20.0	42.7
31 - 40	7.2	10.8	19.0	44.0
41 - 50	13.0	20.5	29.2	49.5
51 - 60	9.2	15.5	23.1	47.8
61 - 70	11.4	11.7	21.5	47.6
71 - 80	9.5	21.5	30.3	50.9
81 - 90	9.0	18.6	26.8	46.0
91 - 100	17.8	20.0	29.5	47.6
101 - 110	11.7	22.4	27.1	48.2
111 - 120	16.0	20.4	40.8	55.5
121 - 130	20.1	26.6	33.2	53.9
131 - 140	19.7	23.3	31.3	48.2
141 - 150	30.7	31.4	37.1	56.7
151 - 160	28.3	38.9	47.0	53.7
161 - 170	29.1	32.9	37.6	56.2
171 - 180	32.6	34.4	45.1	57.0
181 - 190	35.7	44.0	52.9	66.0
191 - 200	42.3	47.5	53.3	65.2
201 - end	35.3	44.9	49.2	57.9

Sources: Arbitron's *1972 Television Market Analysis, Television Markets and Rankings Guide 1976 1977, 1980 1981 Television Markets and Rankings Guide,* and *1984 1985 ADI Market Guide.*

TABLE 3

	Indoor Antennas		Outdoor Antennas	
	Units	Dollars (thousand)	Units	Dollars (thousands)
1980	3,141	19,624	2,318	45,136
1981	3,405	21,751	2,218	44,597
1982	2,917	20,904	1,964	41,123
1983	2,319	15,596	1,945	41,768
1984	2,035	13,565	1,709	37,518

Source: EIA, *The Electronic Market Data Book*, 1981 through 1985 editions, Table 5-19 (data from "TV and FM Accessory Parts," Report No. MS429). "Indoor antenna" is defined as an antenna capable of receiving VHF, UHF or a combination of VHF and UHF television signals and not an integral part of a TV receiver. Such antenna is designed to mount on the top, back or side of a TV receiver. An "outdoor antenna" is defined in the same manner except that it is specified as designed for outdoor mounting.

TABLE 4

Sales of Cable Compatible TV Sets

	Number of Color TV Units	Percent of Total TV Sales
1981	3,896,534	33.1%
1982	5,181,645	44.4
1983	6,568,843	45.9
1984	9,621,471	58.1

Source: EIA. *The Electronic Market Data Book*, 1985, Table 1-8, at 12.

Policy Decision

135. In view of the above, we have determined that the most appropriate course of action is to adopt a plan that will make cable subscribers aware of the need for the capability to access broadcast signals directly off-the-air and will actively assist the development of such capability. Such an approach is consistent with our general belief that market mechanisms are the preferred method for ensuring that the interests of consumers are satisfied. We also recognize that our former must carry rules have contributed to the creation of a distorted market environment which needs to be corrected before economic forces can be relied upon to achieve maximum diversity in program choices for the public. In view of the fact that most cable subscribers now are unaware of the need to receive broadcast signals off-the-air and are unprepared to do so, it is likely to take a considerable period of time to educate them with respect to the need for direct access to broadcast services and to allow them sufficient opportunity to acquire such capability or to make an informed choice that such a capability is not desired. Thus, we believe that in the short-term. It is necessary to adopt an approach that also will ensure that viewers continue to maintain access to broadcasting, so that it remains a competitive alternative source of programming even as consumers move toward an environment without must carry rules.

136. To implement this course of action, we have developed a two-part regulatory program which is designed first to alter existing practices and knowledge with respect to connection of cable service that can render cable subscribers unable to receive broadcast television service and, second, to provide interim must carry protection to the broadcast television industry during the transition to the new environment in which the connection of cable service no longer has that effect. Under the first part of our new

regulatory program, we will require cable systems to provide their subscribers with input selector switches that will enable reception of broadcast signals by means of an antenna. In addition, we will require cable systems to implement a consumer education program to inform their subscribers of the purpose, and need for, maintaining off-the-air reception capability after subscribing to cable. The second part of our program provides for interim must carry rules that will expire at the end of a five-year period. The transitional must carry rules we are adopting are comprised in large part of the terms of the industry agreement, with certain modifications to ensure that the rules maximize the public interest. The modifications to the industries' proposals include specific protections for noncommercial stations operating on reserved channels and new commercial stations and to maintain our existing nonduplication rules.

137. We believe a five-year transition period will provide sufficient time for consumers to become aware of the need for direct off-the-air access to broadcast signals and to acquire such capability if they so desire. Accordingly, the interim must carry rules and certain aspects of the input selector requirements as discussed below will expire on January 15, 1992. We plan to initiate and conclude a rule making proceeding sufficiently prior to this expiration date to determine whether there are particular situations where mandatory carriage rules might continue to be necessary.

138. We emphasize that it is out of an abundance of caution and concern for the significant governmental interest in maximizing diversity in consumers' program choices that we are imposing must carry rules until it can be assured that there has been sufficient opportunity for cable subscribers to reestablish independent access to broadcast service.[92] In this respect, we recognize must

[92] In this regard, the interim must carry regulations are not intended as a mechanism to extend signals beyond a station's service contour

carry rules are a stringent form of regulation that intrude on cable operators' free speech rights. Although we have found that consumers would have difficulty receiving off-the-air signals at present, the part of our regulatory plan pertaining to input selector switches and consumer education is expected to resolve this problem. Accordingly, we find no need or justification in this proceeding for imposing must carry requirements for more than a five year period. We conclude that must carry regulations are neither desirable nor sustainable as long-term solutions to the problem of cable subscribers' access to broadcast signals and, in fact, would impede our objective of maximizing program choices to viewers. While we have found that short-term must carry regulations are necessary in order to ensure that broadcasting remains a competitive alternative source of programming in the interim period, the record clearly supports no more extensive regulatory program than that which we are adopting. In this respect, the transitional rules are no broader or more extensive than necessary to provide an orderly shift to a less regulated environment. The interim must carry rules are considerably narrower in scope than those vacated in *Quincy* and are specifically tailored to the need for regulation. Thus, we believe they meet the constitutional concerns expressed by the court. We note that the interim rules are less intrusive on cable operators' editorial discretion than the former rules in that they will apply only for a specific limited period of time.

139. We are confident that, in the long run, this plan will ensure viewers' access to broadcast signals off-the-air and, thus, the greatest viewer choice should be maintained. However, in order to achieve the policy objectives we have set forth herein, it is essential that all of the major features of this program, in particular, the input selector

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or into areas where the signal would not otherwise be available off-the-air.

switch, education program, and interim rules with firm expiration date, be implemented! If any of these articulated elements were to be deleted? the remaining portions of the program might not be sufficient to achieve our objectives.

Description of the New Rules

I. Input Selector Switch Rules

140. The new rules for developing and maintaining the capability of cable subscribers to receive broadcast signals off-the-air require that cable operators offer to install an input selector switch for use with an antenna at no additional cost for all new cable subscribers, Thereby leaving the subscriber in the same position to receive off-the-air signals as before cable installation.[93] This is a continuing requirement that will not expire at the end of the transition period. The new rules also require cable operators to offer existing subscribers an input selector switch at no cost, by providing all such subscribers with a form that is to be returned by those who desire a switch. On that form, an existing subscriber will select the option of either receiving the switch with self-installation instructions or, alternately, requesting that the cable operator install the switch, in which case the subscriber can be charged reasonable labor costs. This offer shall be made by the cable operator in writing within six months of the effective date of this *Order* and on an annual basis thereafter for five years. There is no continuing requirement for cable operators to offer input selector switches to existing subscribers after the conclusion of the five-year transition period. In other respects, the rules concerning input selector switches apply identically to both existing and new subscribers. First, the switch must be provided to all cable subscribers, whether or not the cable system carries all

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[93] *See* Appendix B.

local television broadcast signals.[94] Second, as described in further detail below, the operator must provide information to the subscriber concerning the function of the switch. Third, in all instances, cable operators must offer to supply and install an input selector switch for each separate television set to which the cable is connected.[95] Fourth, cable operators will be required to inform subscribers that an antenna may be needed to receive television broadcast signals. Fifth, cable operators will not be permitted to suggest or recommend that subscribers dismantle their antennas.

141. In addition, the new rules will impose a continuing requirement for cable systems to inform subscribers of the changes in the regulations concerning carriage of broadcast signals and of the need for input selector switches. These rules will require cable operators to inform their subscribers annually that not all signals are required to be carried; that after January 15, 1992, no signals might be carried; and thus that it may be necessary to use an antenna in conjunction with an input selector switch to receive available off-the-air broadcast stations not carried on the cable systems. In addition, cable operators must include a description of the function of an input selector switch and that its purpose is to aid the viewer in preserving independent access to off-the-air television service. Cable operators must also inform the subscribers which local broadcast signals are not at that time carried by the cable system. The information must state further that the input selector switch will assist subscribers in receiving those local stations available off-the-air that may not be

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[94] In cases where the cable subscriber has an equivalent input selector device, for example through a former purchase or as a built-in feature of his/her television receiver, the cable system will not be required to provide another switch.

[95] This requirement is subject to the above exception for cases where subscribers are already equipped with input selector switches.

carried on the system. This consumer education information must be provided to new subscribers at the time of installation of cable service and to existing subscribers that do not have input selector switches within six months after the effective date of this *Order* and Thereafter on an annual basis. The annual requirement may be satisfied by including the information with the annual input selector switch offering, in monthly subscriber billings or other mailings.

142. With respect to the technical performance characteristics of input selector switches, we recognize that there is potential for signals from the cable system to leak into the antenna input terminal if the two signal paths in a switch are not sufficiently isolated. Such undesired signal leakage would be radiated through the antenna and could cause significant interference to licensed radio services and to the operation of other radio frequency devices. In order to prevent such possible interference, all input selector devices installed to provide switching between a cable television system and an antenna for reception of off-the-air broadcast television signals will be required to comply with the technical standards of §15.606(a) of the rules.

II. Interim Must Carry Rules

143. Under the transitional signal carriage rules we are adopting, cable systems will be required, subject to various conditions, to devote a limited portion of their capacity to carriage of qualified broadcast television signals. A cable system's mandatory carriage obligations under the revised rules will vary according to the number of usable activated channels available on the cable system. "Usable activated channels" are defined as those channels engineered at the headend of the cable system for the provision of services generally available to residential subscribers of the cable system, less channels reserved against interference with aeronautical frequencies. This definition is the same as that specified in the Cable Act for other areas of cable regu-

lation.[96] Broadcast stations will qualify for carriage under these rules on the basis of several criteria. Any station not qualifying for must carry status may be carried at the cable operator's discretion. However, carriage of such stations will not count towards meeting a cable system's signal carriage obligations under the interim rules.

144. *Qualified Broadcast Stations.* All domestic fullservice broadcast stations will be eligible to qualify for carriage under these rules. Noncommercial educational translators operating at 100 watts or more of power and located in the cable community will also be eligible to qualify for carriage. Broadcast stations licensed by foreign governments, satellite stations, low power television stations, commercial translators, and subscription television stations are not entitled to carriage under the new rules.[97] To qualify for carriage, a commercial or noncommercial broadcast station must be licensed to a community that is within 50 miles of the cable community, as measured from the principal cable headend to the reference point of the station's city of license as defined in Section 76.53 of our rules.[98] In the case of cable systems with multiple headend facilities, the cable operator shall specify which such facility is the principal headend.

145. Commercial broadcast stations also must meet a viewing standard to qualify for mandatory carriage on a cable system. To meet this standard a commercial station must demonstrate that it attains at least an average share of total viewing hours of 2 percent and a net weekly

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[96] *See* 47 U.S.C. §532(b)(5)(A).

[97] Cable carriage of these outlets and any other broadcast stations that do not qualify for carriage under these rules will continue to be permitted at the discretion of the cable operator but will not count towards meeting a cable system's mandatory signal carriage obligations.

[98] *See* 47 CFR §76.53. We also note that there will be no special provisions in the interim must carry rules for hyphenated markets, as defined in Section 76.51 of our rules. *See* 47 CFR §76.51.

circulation of 5 percent in noncable households in the county where the cable system is located.[99] However, a new commercial station will be exempt from demonstrating that it meets this viewing standard for its first 12 months of operation.[100] Additionally, stations that have commenced operation after July 19, 1985, the effective date of the suspension of the former must carry rules, and stations that have commenced operation since that time will not be subject to the viewing standard for one full year from the effective date of the interim rules. Also, no viewing standard will apply to otherwise eligible noncommercial educational stations or translators operating on reserved channels.

146. A commercial broadcast station shall demonstrate that its audience during the required survey period meets the viewing standard on the basis of independent professional audience surveys conducted according to recognized statistical methodology. Audience surveys must be based on her viewing of the subject station in noncable homes in the county where the cable system is located. If the cable system serves homes in more than one county, the appropriate measure will be for the county in which the plurality of subscribers reside. In cases where the generally accepted practice for audience measurement is to report

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[99] "Share of total viewing hours" means the total hours that noncable television households viewed the subject station during the week, expressed as a percentage of the total hours these households viewed all stations during the period, and "net weekly circulation" means the number of noncable television households that viewed the station for 5 minutes or more during the entire week, expressed as a percentage of the total noncable television households in the survey area. These definitions are consistent with those used for determining whether a station is significantly viewed. *See* 47 CFR §76.5(k).

[100] A station's one year exemption from the viewing standard will begin on the date it begins operation under program test authority (PTA). Also, stations that have gone off-the-air and come back on at some time after the first calendar year from their initial commencement of operation will not qualify as new stations for purposes of these rules.

statistics on a split county or independent city basis, these areas will be acceptable as the appropriate geographic unit for the audience survey.[101]

147. Stations that have been on the air for more than one television survey season will qualify for carriage upon showing that they met the viewing standard during the previous Television survey season, television survey season will be defined as the period between April 1 of one year and March 31 of the following year. The showing must be based on four 4-week survey periods, with at least one survey period in each of the 4 quarters of the television survey season (i.e., April-June, July-September, October-December and January-March). The survey methodology must be comparable to that of surveys conducted to demonstrate significantly viewed status pursuant to Appendix B of the *Memorandum Opinion and Order on Reconsideration of Cable Television Report and Order,* FCC 72-530, 36 FCC 2d 326 (1972).[102] To the extent that the regularly published reports of the major audience rating services (e.g., Arbitron and A.C. Nielsen) meet these criteria, they may be used to satisfy these requirements. However, a showing that a station meets the viewing standard for a qualified station may be based on audience surveys conducted by any independent professional survey organization.

148. Commercial stations that have been operational for less than a full television survey season, except new sta-

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[101] The rating services occasionally split large counties where there are viewing differences from one part of county to another. Also some cities that are not located in counties are reported separately. Where a station qualifies for carriage based on surveys for a geographic unit other than an entire county, its carriage rights will be limited accordingly.

[102] *See* §76.54(d). The principal difference between the surveys required here and those used to determine significant viewing status is that must carry qualification will be based on four 4-week survey periods instead of three 4-week audience periods.

tions that have been on-the-air less than 12 months, may demonstrate that they meet the viewing standard for qualifying for must carry status on the basis of a special study conducted by an independent professional surveying firm.[103] The study must demonstrate that the subject station meets the viewing standard on the basis of audience surveys covering a period of at least two weeks.[104] The survey must be based only on viewing in noncable homes in the county where the cable system is located. In this respect, we believe it is more appropriate To define qualified signals in terms of those actually available off-the-air and that the viewing patterns of noncable households are likely to provide better indicators of such signals than the alternative approach proposed by Senator Danforth. In order for the Sample to be representative of the viewing in the cable system's country, the distribution of the noncable homes sampled for this showing must be proportional to the noncable population distribution of the appropriate county. The level of viewing in the sample households may be measured using any recognized surveying technique (i.e., diary, telephone, or meter). Further, the sample size shall be sufficient to assure that the average audience statistics reported are at least one standard error above the required viewing level for a qualified station.

149. Additionally, in order to qualify for must carry status a television broadcast station must deliver a "good quality" signal to the principal cable headend. The standard we are adopting requires that such signal equal or exceed a high picture quality in which interference may

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[103] We note that it is possible for a new station to have been on-the-air more than 12 months and less than one complete television survey season.

[104] The required survey is similar to that prescribed in Section 76.54(b) for determining whether a station is significantly viewed. The two procedures differ in that a survey for qualifying for must carry status is a county based, rather than a community based study, and there are no limits on the choice of two-week survey period.

be just perceptible.[105] Because a station's signal is processed at several points throughout a cable system, we believe this level of quality at the headend is necessary to provide enjoyable viewing to cable subscribers. The subjective nature of this standard generally would require that systems carry signals of qualified television broadcast stations that provide a minimum signal level of -45 dBm for UHF signals and -49 dBm for VHF signals at the input terminals of the signal processor at the principal cable headend.[106] In general, these levels would be needed to achieve the above picture quality.[107] We recognize that in some instances cable systems currently may not have equipment capable of receiving broadcast signals of the required quality. In such circumstances, a broadcaster would be permitted to furnish any equipment or to compensate a cable operator for equipment necessary to upgrade existing reception capability or to provide direct feed of baseband signals. Broadcast stations also will be permitted to deliver their baseband video/audio signal directly to cable systems via alternative means such as a landline or microwave facility.

150. *Signal Carriage Obligations.* The number of qualified broadcast stations a cable system must carry is determined by its number of usable activated channels. Cable television systems with 20 or less usable activated channels only will be required to carry one qualified noncommercial

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[105] This definition is generally comparable to a level 2 grade signal as rated by the TASO Committee. *See* Report of the Television Allocations Study Organization, *Engineering Aspects of Television Allocations.* March 16, 1959, at 448, 453. *See also* Gordon L. Fredendall and William L. Behrend, "Picture Quality—Procedures for Evaluating subjective Effects of Interference," *Proceedings of the IRE,* Vol. 48, No. 6, at 1030-1034.

[106] These values may be considered comparable to the level 2 TASO picture quality standard.

[107] We are not establishing a specific technical requirement to permit greater flexibility among the parties to determine good picture quality.

educational station or translator. When more than one noncommercial station or translator qualifies for carriage on a cable system, the cable operator may choose the station or translator to carry. If no qualified noncommercial educational Station is located within a 50-mile zone of the cable system's headend and no translator of a noncommercial educational station is located in the cable community, then the system is exempt from must carry obligations.

151. Cable systems with more than 20 usable activated channels, but less than 27 such channels, are required to devote up to 7 channels to the carriage of qualified broadcast signals. Cable systems with 27 or more usable activated channels must devote up to 25 percent of their channel capacity To fulfill their mandatory carriage obligations. For purposes of determining the number of usable activated channels that would be allocated for qualifying must carry signals, calculations should be rounded to the nearest whole number. For example, a system with 44 usable activated channels would not have to devote more than eleven channels to must carry signals (i.e., 25% of 45 is 11.25 or 11 when rounded to the nearest whole number). A system with 46 such channels would be required to devote not more than 12 channels (i.e., 25% of 46 is 11.5 or 12 when rounded). Using this formula, systems with 21 to 29 usable activated channels would have to devote a maximum of 7 channels for must carry signals, those with 30 to 33 channels would have to allocate up to 8 channels, those with 34 to 37 channels would have to devote at most 9 channels, etc. A chart detailing the maximum number of channels that a system must devote to qualified must carry signals is set forth in the rules in Appendix B.

152. Further, cable systems with more than 20, but less than 54 usable activated channels, must allocate at least one must carry channel for the carriage of a qualified noncommercial educational station or translator, if at least

one such station is eligible for carriage. Cable systems with 54 or more usable activated channels must devote at least two of these channels to the carriage of qualified noncommercial educational stations or translators, assuming two or more such stations are available.

153. Where the number of qualified stations is less than or equal to the maximum number of channels that the system must devote to such stations, the cable system will be required to carry all qualified stations. There are two exceptions to this requirement. First, a cable system will not be required to carry duplicating commercial stations. That is, a cable system need not carry more than one station affiliated with the same commercial network. The decision to carry more than one affiliate of the same commercial network will be at the discretion of the cable operator.[108] Further, in cases where both a satellite and its parent television station qualify for carriage, the cable system need not carry both stations and may choose between them. We note that There will be no similar exemption from the carriage of noncommercial educational stations that are affiliated with the same network.[109] However, cable systems will not have to carry a noncommercial station

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[108] For example, if a cable system has 25 usable activated channels, it must devote a maximum of 7 channels to stations that qualify for must carry rights. If 2 ABC affiliates, 1 CBS affiliate, 1 NBC station, 2 independents, and 1 PBS station qualify for carriage on this system, then the cable operator would be able to decide whether to carry one or both of the ABC affiliates and must carry each of the other qualified stations.

[109] As commenters have indicated, affiliates of noncommercial educational networks rarely broadcast substantial portions of their programming simultaneously. Therefore, the carriage of more than one noncommercial educational station affiliated with the same network generally adds to viewer choices. However, the Commission will consider granting exemptions to this requirement in those situations where it can be shown that there is a consistently high degree of simultaneous program duplication.

and its satellite or translator station(s).[110] Second, a cable system will be permitted not to carry an otherwise qualified station that is considered a distant signal for copyright purposes. This situation could occur because the proposed 50-mile zone in some cases creates over an area that is larger than its rights under the former must carry rules and there is a possibility that a station could qualify for carriage under the revised must carry rules and be considered a distant signal under the Copyright Act. If the system carries a station that is subject to this exception, the system is permitted to count the station in determing whether the system's limit on carriage of qualified stations has been satisfied.

154. Where the number of qualified broadcast stations exceeds the maximum number of channels that a cable system is required to devote to must carry signals, the cable system may choose among the qualifying stations, subject to the requirements for carriage of qualified noncommercial educational stations or translators. There is no requirement that the cable operator select at least one station affiliated with each of the major commercial networks.

155. *Manner of Carriage.* Cable systems will be required to carry qualified broadcast signals that are carried in fulfillment of must carry obligations in their entirety without material degradation, as part of their lowest-priced, separately available tier of service.[111] By carriage in their entirety, we means that the cable system must carry the primary video and accompanying audio transmissions of all

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[110] Similarly, a cable system will not have to carry two or more translator or satellite stations that duplicate the same parent station.

[111] However, the rules relating to the requirement that programs on distant signals be carried in full, but that entire signals need not be carried in full, were not the subject of this proceeding and, therefore, remain unchanged. *See* 47 CFR 76.55(b). This section of the rules is being recodified as §76.62(a), pursuant to our decision herein.

programs in full, without deletion or alteration. Retransmission of any ancillary services in the vertical blanking interval or aural baseband, including but not limited to multichannel television sound and teletext, will be at the discretion of the cable operator. The rules do not require a cable system to provide onchannel carriage of any qualified station. A cable operator may carry qualified broadcast stations on any channel or frequency, so long as those carried in fulfillment of any must carry obligation are carried on the lowest-priced, separately available tier of service offered by the cable system.

156. Changes in the network nonduplication rules were not a part of this proceeding and are not being changed substantively herein.[112] As a consequence of this, situations may arise in which signals that are defined as "qualified" for mandatory carriage under the transitional must carry rules may be subject to partial deletion under the network nonduplication rules. The rules specifically account for this possibility. In this respect, cable systems will not be required to extend network nonduplication protection to qualified stations that they are otherwise not required, and choose not, to carry.

157. Cable systems will be prohibited from accepting any payment or other consideration from qualified stations carried in fulfillment of must carry obligations with two limited exceptions.[113] First, qualified stations carried to fulfill must carry requirements will be allowed to reimburse a cable operator for any copyright fees associated with the station's carriage. Second, such broadcast stations will be permitted to pay any costs related to the requirement that they deliver a good quality signal to the cable system's

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[112] *See* 47 CFR 76.92-99.

[113] This prohibition does not apply to nonqualified stations or those otherwise qualified stations that are carried but whose carriage does not serve to fulfill must carry obligations because there are an excess number of qualified signals in the market.

headend, including the cost of installing additional receiving or transmitting equipment and of using CARS or common carrier microwave links. We recognize that the requirements stated in this paragraph are different from those proposed in the industry agreement.

158. A broadcast station seeking carriage as a qualified must carry signal will bear the burden of establishing this right. A broadcaster that believes its station is qualified for mandatory carriage rights must submit a request for carriage in writing to the cable operator and include sufficient evidence to demonstrate that its station meets the criteria set forth in the rules. Within 30 days of receiving a request for carriage, a cable operator must provide the broadcaster with a written response. If the cable system declines carriage of the requesting station, it must give a brief statement of the reasons for its decision. A cable system that refuses a request for carriage, but complies in good faith with these requirements, will not be subject to any forfeiture or other penalty if it is later determined that the station is entitled to carriage.[114]

159. In general, we are hopeful that broadcasters and cable operators will be able to determine carriage rights without the intervention of the Commission. However, in instances where the broadcast station and the cable system cannot agree on the station's must carry rights, the broadcast station requesting carriage may petition the Commission fore a determination of its rights. The petitioning station will bear the responsibility of convincing the Commission that it satisfies the mileage and viewership standards and that the cable system is not otherwise carrying its limit of qualified television stations. Where a cable operator refuses to carry a station on the ground that the station does not deliver a good quality signal to the sys-

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[114] If a new station is involved, the 12-month exemption from the audience share requirement will not run during the period of dispute resolution if the station is not being carried.

tem's headend, the station will bear the burden of proving with appropriate engineering data that it meets this requirement. If the Commission determines that a station is entitled to carriage, it will then order the cable system to add the station. A cable system may be assessed a forfeiture or other penalty for failure to comply with a Commission order to carry a qualified broadcast station. Commission action in such cases will also include action by the Mass Media Bureau under delegated authority.

The New Rules Meet the Need for Regulation

160. The new regulatory program we are adopting is intended to protect and further the federal interest in maximizing consumers' viewing choices. The first objective of this plan is to alter the manner in which consumers have permitted their independent access to off-the-air broadcast signals to be limited once they subscribg to cable. Consumers who can receive signals both via cable and off their antennas will have their program choices maximized. We, therefore, seek to prohibit cable Systems from diminishing the off-the-air reception capability of new subscribers, and to require them to aid existing subscribers in regaining their off-the-air reception capability. To this end, consumers will be educated on the need to maintain the capability To receive broadcast signals independent of their cable system, will be instructed as to how to do this, and will receive an input selector switch to enable them to connect an antenna in conjunction with their cable service.

161. We have determined that a requirement for cable systems to offer an input selector switch and consumer information to their subscribers is warranted as the appropriate long-term policy to ensure that viewers retain both the awareness and capability to receive signals off-the-air. We find that rules enhancing the availability of input selector switches to viewers and the dissemination of information concerning their need and purpose will help

attain the important governmental interest of maximizing the program choices available to the public. In this regard, the maximization of cable subscribers' program, choices is furthered by ensuring the opportunity to receive all off-the-air broadcast signals as well as cable offerings. Indeed, their choices are then increased if not all off-the air signals are duplicated on cable, but, rather, cable channels are freed up for other programming that viewers are unable to receive off-the-air. The capability to receive signals directly off-the-air, which will be facilitated by these switches, also is beneficial in that it will preserve subscribers' ability to receive broadcast signals in the event of outages of cable service and will provide a means for access to ancillary services, such as teletext, that may not be carried by the cable system.[115]

162. Noncable subscribers' viewing choices also will be substantially enhanced to the extent that cable subscribers use input selector switches to access all off-the-air broadcasting, thereby increasing broadcast station audiences and revenues. In addition, even rural viewers who must rely on television receive only (TVRO) satellite equipment will have their viewing choices substantially enhanced by this requirement, as increased cable channel capacity for satellite programmers can be expected to provide a spur to the economic market of such programmers, thereby increasing the likelihood that additional satellite programming will be developed.

163. We are confident that the switch requirement, coupled with the consumer education program, will ensure that all cable subscribers become aware of the need for

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[115] In light of both our prior determination that services on the VBI and the aural baseband are secondary in nature and our recognition of cable operators' First Amendment rights, we believe it is not appropriate to require carriage of these signals. *See Report and Order* in MM Docket 84-168, 50 FR 4658 at para. 10 (1985); *see also Second* Report and Order in Docket No. 21233, 49 FR 18100 at para. 25 (1984).

off-the-air reception capability and have the opportunity to acquire such capability. In this respect, our previous concerns that input selector switches would be inconvenient and? therefore, not used by consumers, no longer appear valid in the context of the search for acceptable solutions that are minimally intrusive on cable operators' editorial discretion in the post-*Quincy* environment. We are convinced that once cable subscribers become accustomed to using off-the-air reception on an equal basis with cable service, then cable systems no longer will have an artificial ability to limit their subscribers' access to over-the-air broadcast signals.

164. There is evidence that video consumers are now becoming accustomed to switching between alternate program input sources. We observe that many cable systems now offer services through dual cables in order to provide greater channel capacity.[116] Such systems employ switching devices to select between the two cables and often mark the switch positions with "A" and "B" designations. Cable subscribers apparently have accepted this switching arrangement and do not find it inconvenient. In addition, cable systems operating with two cables often provide their subscribers with remote control converter devices that permit selection of the cable as well as the channel to view.[117] We note that consumers also have become familiar with switching between alternative program sources through use of VCRs. We believe that switching between cable and off-the-air reception is essentially the same as these existing program source switching options and that consumers will accept cable/broadcast input switching as simply another program source option. We have no evidence that cable

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[116] All cable systems offering more than 609 channels of service use dual cable operation.

[117] Converter devices that provide for remote switching between "A" and "B" cables are now being manufactured by Zenith Radio Corp. and Jerrold Division, General Instruments Corp.

subscribers will not accept such a result where the alternative is a regulatory regime that infringes on cable operators editorial discretion. Indeed, it was exactly this kind of assumption that led the court in *Quincy* to strike down our former rules.

165. We are aware that some broadcasters are concerned that input selector switches would not be a satisfactory means for ensuring that cable subscribers have independent access to broadcast stations. We believe that many of these concerns are overstated and that the rest can be mitigated or resolved by development and improvement of new and existing input selector switches to meet particular needs. We decline to reject a solution which we have concluded will achieve our goal in a manner that is least intrusive on editorial discretion and that is conducive to maximization of viewer program choice on the basis of minor technical considerations that can be resolved through equipment redesigns. In the past, there has been no incentive to develop input selector switches to meet a variety of different technical demands because few consumers had reason to use such devices. Our recognition that there may be room for improvement in the technology of input selector switches is, however, one of the reasons why we are continuing our interim must carry rules for five years.

166. Broadcasters argue that input selector switches would not provide effective off-the-air reception because very few cable subscribers have maintained outdoor antennas and local regulations and/or multi-unit residences in many cases preclude installation of such antennas. Our five-year interim rules are specifically designated to ensure access to local broadcasting in the period before it can be reasonably expected that subscribers can regain their off-the-air accessibility. The relatively low cost and simple installation of indoor antennas can be expected to make it easy for cable subscribers to acquire the capability to receive broadcast stations not carried on cable. The argument that outdoor antennas are sometimes prohibited

ignores the fact that in many of these situations it is possible to receive signals of acceptable quality using an inexpensive indoor, set-top antenna. This is particularly the case where subscribers are located within the Grade A signal of the station. While indoor antennas would not prove satisfactory in all such cases, we believe their use can significantly mitigate the antenna availability problem. Attic antennas which can give additional off-the-air reception capability are also available. The consumer education program required under the new rules will encourage cable subscribers to acquire and maintain antennas for off-the-air reception of television signals, be they of outdoor, attic, or indoor designs.

167. As broadcast commenters observe, use of input selector switches in conjunction with VCRs may pose installation complexities and in some cases may require use of additional equipment. We believe that any equipment compatibility problems can be overcome through relatively minor modifications to switching devices and that cable operators and other equipment suppliers can provide the information and/or assistance consumers may need to install the switches for use with VCRs. We also believe that the problems with respect to use of input selector switches in conjunction with cable-ready receivers can be overcome through proper matching of the switches with the input requirements of the receivers. We note further that many of these concerns may become moot if television receivers begin to be manufactured with switching or interface devices built in.

168. We also recognize broadcasters' arguments that many cable operators now encourage subscribers to disconnect their antennas and/or offer to assist in removing them. We consider this practice to be inconsistent with our federal objectives and, therefore, are including provisions in the new rules to require cable operators to inform their subscribers that an antenna may be necessary to receive broadcast television services and to prohibit them

from promoting abandonment of off-the-air reception capability.

169. In order to achieve the long-term of maximizing program choices to all viewers, we need to preserve cable subscribers' access to broadcast programming and to ensure that broadcast television remains a competitive alternative source of programming during the transition to the new environment. The interim must carry rules will meet this objective by preventing disruption of the flow of television services to the public during a five-year implementation period and by facilitating an orderly transition to a new market environment in which must carry regulation is no longer necessary because consumers have both the awareness and capability to use switching devices to alternate between cable and broadcast program sources.

170. As discussed above, preservation of commercial broadcasting as a competitive alternative source of programming during the transition to an environment without must carry rules is essential to The federal interest of maximizing program choices to all viewers. In this regard, we believe that the 50-mile zone/viewing standard formula for defining the qualified status of commercial stations will ensure that viewers have access to the most popular stations available off-the-air in the cable community. In addition, the exemption from the viewing standard for commercial stations that have been on-the-air for less than one year affords new stations an opportunity to gain a foothold in the market, Thereby furthering our interest in maximizing program choices by fostering entry into the market. On the other hand, the interim must carry rules will provide cable systems with opportunity to tailor their program service offerings to viewer preferences. In this respect, the rules limit the portion of a cable system's available channel space that is to be devoted to mandatory carriage of broadcast signals in a manner that will permit all cable operators with opportunity to provide programming from other sources.

171. While we recognize that to exempt cable systems with 20 or fewer channels from any obligation to carry commercial stations does not serve to further our goal of protecting the broadcast service during the transition period, we nonetheless believe that this is necessary in view of the strong constitutional concerns that must be balanced against any must carry regulation. However, we do not expect that this exception will substantially affect the achievement of the objectives of our transition policy. In this regard, we note that at this time, only 31 percent of all cable systems, serving 23 percent of all subscribers, have less than 20 channels.[118] We expect that these proportions will decrease during the five-year period as these generally older cable systems respond to consumer demand for additional program services and rebuild using state-of-the-art equipment. We also believe that the provision for proportional increases in signal carriage requirements for larger cable systems based on their individual channel capacity and the exemption from required carriage of duplicate network signals adequately balances the need to ensure an orderly transition to a new environment without must carry rules with the need to protect the cable operators' opportunities for exercising their editorial discretion.

172. We also have modified the industry agreement to provide mandatory carriage protection for noncommercial educational stations. We recognize that some cable systems with 20 or fewer channels may consider it an imposition to carry one noncommercial station. However, the federal interest in ensuring the continued accessibility to and availability of the alternative programming provided by noncommercial educational stations is sufficiently important to warrant the imposition of such a requirement in the interim period. In this respect, we believe that the public

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[118] "1985 Television and Cable Factbook," Cable and Services Volume No. 53, at 1385.

interest Value of noncommercial educational broadcasting justifies requiring cable systems with 54 or more channels to carry at least two qualified noncommercial broadcast or translator stations. The provision for carriage of noncommercial translators, as proposed by Senator Danforth, will ensure the availability of noncommercial television service to cable subscribers in areas unable to support a full service station. In view of the proportional manner in which this requirement is imposed, which is similar to the requirement concerning carriage of commercial broadcast stations, we believe that here too we have struck an appropriate balance between the competing needs to provide access to noncommercial educational programming and to protect cable operators' opportunities for exercising their editorial discretion during the five-year interim period.

Alternative Proposals Considered and Rejected

173. In developing our policy decision in this matter, we considered a wide range of policy options, including the various proposals submitted by the petitioning and commenting parties in this proceeding. We have incorporated many of the specific features of these proposals, or modifications thereof, into the new rules. However, we also have rejected many other proposals on the grounds that they would exceed our statutory authority, would be overly intrusive on cable operators' editorial discretion, or simply would not meet our regulatory objectives as well as the plan we have chosen. In order to provide additional insight into our policy decision, we believe it is useful to indicate our reasons for rejecting the major alternatives presented in the record.

174. One alternative approach, proposed by Richard Leghorn, with respect To the input selector switch requirement, would be to require that all new television receivers be built with integral switches for selecting between cable and off-the-air television service. The attractive feature of this approach is that it would assure that, over

time, all viewing households would have the capability to switch between cable and off-the-air service without The need fore a requirement that a switch be provided by the cable system. However, we have rejected this option on the basis that it is ultimately an inefficient means to distribute input selector capability. The need for cable/broadcast input selector capability pertains only to those consumers that subscribe to cable service; noncable subscribers have no need for such capability. We see no need to impose the additional cost of a built-in selector switch on consumers who have no need or desire for it.[119] Thus, we do not find it desirable to require all receivers to be built with a feature intended for use by only approximately one half of the TV households nationwide. In addition, cable subscribers purchasing cable-ready receivers may prefer a more sophisticated independent stand-alone input selector device, and thus, not have need for such capability to be built into their receiver. In view of these considerations, we believe that market forces are the most appropriate means to lead the television receiver industry to produce sets equipped with capability to switch between cable, broadcast, and other program sources. In this respect, market forces will determine both the number of sets to be equipped with input selector features and the specific design of those features.

175. As described above, Mr. Leghorn also proposes to exempt cable systems from requirements to provide input selector switches to their subscribers if they carry all local VHF signals. This proposal is attractive in that it would provide a way to minimize the impact of our new program on the cable industry without significantly altering the mix of services offered by individual cable systems from that

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[119] In this respect, we recognize that the costs of the input selector switches that cable systems will be required to provide under the new rules are likely to be borne ultimately by cable subscribers through higher service rates.

which could be expected to obtain under the plan we have chosen. In this respect, we observe that most cable systems already carry all of the local VHF stations, and because these stations are generally popular with viewers, would continue to so in the absence of regulation. However convenient this approach might be for both the cable and broadcast industries, it nonetheless would be directly contrary to our stated goals to correct the misperception that has resulted from our former must carry rules and to provide a regulatory environment that will maximize viewers" access to video programming. To provide regulatory encouragement for cable systems to carry all of the local VHF stations would tend to perpetuate the misperception that it is not necessary for cable subscribers to maintain independent off-the-air reception capability. Such a policy also would hinder the attainment of our program access goals by providing a strong incentive for cable systems to devote a portion of their channel package to a fixed package of services rather than encouraging them to tailor their service directly to viewer interests. We also observe that carriage of all VHF signals would not ensure access to all of the available off-the-air signals for subscribers using cable ready receivers because such receivers generally disable their UHF antennas when operated in the cable ready mode. Finally, a policy that offered strong incentive to cable systems to carry all of the local VHF signals would operate in a manner much the same as our former must carry rules and thus would impose the same type of overintrusive, nondiscriminatory regulatory protection ruled constitionally unacceptable by the court in the *Quincy* decision.

176. The proposals of NTVE and Grace Cathedral would provide strong incentives for cable systems to carry broadcast stations by conditioning the availability of the cable compulsory copyright license on carriage of all local stations. Similarly, CBS's proposal to require cable systems to obtain retransmission consent from originating stations,

except from local stations where all such stations are carried, potentially would conflict with the cable compulsory copyright license. Regardless of our authority in this area, an issue which we need not reach here, the NTV, Grace, and CBS proposals would reimpose broad must carry rules that would be difficult to sustain under the *Quincy* decision. Therefore, as a policy matter, we find these proposals unacceptable.

177. Other proposals for new must carry rules, such as those submitted by the Catholic Conference and UCC, attempt to meet the constitutional concerns of the *Quincy* court by extending carriage rights only to limited classes of local television stations that they believe are a risk or that offer specific kinds and/or amounts of local program service. These proposals are designed to protect certain classes of local broadcast stations and to further local broadcast television service consistent with our previous cable signal carriage policy. They are not well suited to the current need for must carry rules during the transition to the new regulatory environment and would, in fact, tend to hinder rather than promote viewer access to the maximum program choices in the interim period. In this respect, policies that promote the carriage of specific types of programming generally hinder a cable system from carrying the services its subscribers most desire to watch. Such regulation also is more intrusive on cable operators editorial discretion than the rules we are adopting.

178. We find that the proposal to reimpose restrictions on cable carriage of distant broadcast signals in larger markets submitted by Henry Geller and Donna Lampert in their petition for rule making field subsequent to the *Quincy* decision[120] raises issues generally outside the scope of this proceeding. We intend to address the distant signal and syndicated exclusivity issues in future proceedings.

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[120] *See* Notice at footnote 6. .

179. Finally, we do not believe that it is appropriate at this time to eliminate the existing network nonduplication rules as proposed in the industry agreement. This proceeding is focused on the mandatory signal carriage rules and, therefore, is not an appropriate forum for addressing whether the network nonduplication rules should be retained or eliminated. As discussed below, we intend to initiate a separate proceeding to fully address the issues in the network nonduplication matter.

CONSTITUTIONAL AND STATUTORY CONSIDERATIONS

First Amendment Issues

180. *Standard of Review.* The threshold issue in reviewing the constitutionality of any mandatory carriage requirement is the appropriate standard of review. While the United States Supreme Court has expressly recognized that cable television operators engage in conduct protected by the First Amendment,[121] it has not definitively addressed the appropriate standard[122] to be utilized in evaluating the constitutionality of cable regulation.[123] In the

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[121] *City of Los Angeles and Department of Water and Power v. Preferred Communications, Inc. (Preferred)*, 106 S.Ct. 2034, 2035 (1986).

[122] While The issue has been raised by the parties in several cases, the Supreme Court has never resolved the issue concerning the applicable First Amendment standard governing cable television. *See Preferred, id.; Capital Cities Cable, Inc. v. Crisp*, 467 U.S. 691 (1984); *Midwest Video Corp. v. FCC*, 440 U.S. 689, 709 n.19 (1979).

[123] Certain parties in this proceeding have urged the Commission to employ a functional analysis of the particular aspects of cable service in assessing the First Amendment implications arising from reimposition of a mandatory carriage requirement. While acknowledging that the program origination functions of cable operators qualify for full First Amendment protection, these parties argue that the First Amendment rights of cable operators, in performing the function of retransmitting local broadcast signals, are either minimal or nonexistent. *See, e. g., Comments of National Broadcasting Co. (filed Jan. 29, 1986). The*

absence of explicit Supreme Court guidance, the lower federal courts have employed divergent tests and the matter remains unsettled.

181. Several appellate courts have determined that there are special characteristics of cable television which warrant the application of a special standard of scrutiny that differs from and is lower than the one governing the print media. For example, in *Omega Satellite Products Co. v. City of Indianapolis* (Omega Satellite).[124] the Seventh Circuit applied a lower standard of scrutiny analogous to the one applied to broadcasting services,[125] in reviewing the constitutionality of cable regulation. The court articulated three reasons for rejecting the print model as the appropriate standard of review. First, while noting that spectrum scarcity does not exist for cable services, the court stated that "cable television involves another type of in-

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United States Supreme Court recently stated, however, that cable operators "through original programming or by exercising editorial discretion over which stations to include in its, repertoire . . . implicate first amendment interests." Preferred, 106 S.Ct. at 2035. Thus, not only did the Court indicate that both the programming and retransmission functions of a cable operator are entitled to First Amendment protections, but in so stating the Court made no distinction as to the quantum of protection afforded to the operator on the basis of whether it performs an origination or retransmission function. *See also Omega Satellite Products Co. v. City of Indianapolis (Omega Satellite)*, 694 F.2d 119, 127 (7th Cir. 1982) (cable system "engaged in the dissemination of speech within the meaning of the First Amendment, both by transmitting programs originated by television stations and cable television networks and by originating its own . . . programs."); *Tele - Communications of Key West, Inc. v. United States*, 757 F.2d 1330, 1336-37 (D.C. Cir. 1985) ("Whether or not TCI [the cable operator] produces any original programming of its own, its activities of transmitting and packaging programming mandate that it receive First Amendment protection."); *Central Telecommunications, Inc. v. TCI Cablevision, Inc.*, 610 F. Supp. 891, 898 (W.D. Mo. 1985), *aff'd* 800 F.2d 711 (8th Cir. 1986).

[124] 694 F.2d 119 (7th Cir. 1982).

[125] *See, e. g., Red Lion Broadcasting Co. v. FCC*, 395 U.S. 367 (1969).

terference — interference with other users of telephone poles and underground ducts."[126] Second, it determined that there were "apparent natural monopoly characteristics of cable television"[127] which justified the application of a different lower standard of scrutiny. Third, citing *FCC v. L Pacifica Foundation* (Pacifica),[128] a case involving traditional broadcasting services, the court indicated that "the universal access to the home that television enjoys and a resulting felt need to protect children"[129] warranted application of a lower constitutional scrutiny standard.

182. Similarly, the Tenth Circuit, in *Community Communications Company v. City of Boulder Colorado*,[130] expressly determined that "[t]he attributes of cable broadcasting technology"[131] justify the application of a distinct and more relaxed standard[132] in assessing the constitutionality of cable regulation than is employed in evaluating governmental restrictions on the press.[133] In

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[126] *Omega Satellite*, 694 F.2d at 127.

[127] *Id.*

[128] U.S. 726 (1978).

[129] *Omega Satellite*, 694 F.2d at 128.

[130] 600 F.2d 1370 (10th Cir. 1981), *cert. dism.* 456 U.S. 1001 (1982).

[131] 660 F.2d at 1377.

[132] While the Tenth Circuit explicitly determined that it was inappropriate to utilize the strict First Amendment standard of review governing the regulation of the press in cases involving cable regulation, it declined to address whether "the full panoply of principles governing the regulation of wireless broadcasters necessarily applies to cable operators." *Id.* at 1379.

[133] The Tenth Circuit was persuaded that two characteristics of cable television distinguished it from the print media. First, in contrast to the manner in which a newspaper disseminates its message, the court stated that:

> a cable operator must lay the means of his medium underground or string it across poles in order to deliver his message. Obviously, this manner of using the public domain entails significant disrup-

applying a lenient standard, the Tenth Circuit indicated that governmental regulation could be justified in order to assure "that optimum use is made of the cable medium in the public interest."[134]

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tion especially to streets, alleys, and other public ways. Some form of permission from the government must, by necessity, precede such disruptive use of the public domain.

Id. at 1377-78. Second, the court stated that "the physical and economic limitations on the number of cable systems that can practicably operate in a given geographic area" differentiate cable from the press. *Id.*

[134] *Id.* at 1379. Other federal courts have also adopted a lenient constitutional standard. In *Hopkinsville Cable TV v. Pennyroyal Cablevision, Inc.*, 562 F. Supp. 543 (W.D. Ky. 1982), a district court held that a cable system is a "natural monopoly" which justifies the award of an exclusive franchise by a municipality. *But cf. Carlson v. Village of Union City, Michigan*, 601 F. Supp. 801 (W.D. Mich. 1985), in which another district court in the Sixth Circuit applied the balancing test prescribed in *United States v. O'Brien (O'Brien)*, 391 U.S. 367 (1968).

Perhaps the opinion applying the most lenient standard of review to cable regulation is *Black Hills Video Corp. v. FCC*, 399 F.2d 65 (8th Cir. 1968), in which the Eighth Circuit, expressly extending the "physical scarcity" rationale to cable Television, explicitly applied the lenient broadcast standard in upholding the constitutionality of a number of cable regulations, including mandatory carriage rules. While the Eighth Circuit has never expressly repudiated *Black Hills Video*, nonetheless it is unclear that *Black Hills Video* continues to reflect the law in the circuit. In *Midwest video Corp. v. FCC*, 571 F.2d 1025 (8th Cir. 1978), *aff'd on other grounds*, 440 U.S. 689 (1979), the Eighth Circuit virtually ignored its earlier decision, and in dicta, appeared to endorse a more stringent constitutional standard for cable television. In light of *Midwest Video*, at least one court has concluded that *Black Hills Video* "is a doubtful precedent today." *Preferred Communications v. City of Los Angeles*, 754 F.2d 1396, 1404 (9th Cir. 1985), *aff'd on other grounds sub nom. City of Los Angeles and Department of Water and Power v. Preferred Communications, Inc.*, 106 S.Ct. 2034 (1986). Further, a district court in the Eighth Circuit has recently applied a standard of review which appears to be inconsistent with the 1968 *Black Hills Video* decision. *Central Telecommunications v. TCI Cablevision, Inc.*, 610 F. Supp. 891 (W.D. Mo. 1985), *aff'd* 800 F.2d 711 (8th cir. 1986).

183. More recently, other federal circuit courts have expressly repudiated the notion that there are specific attributes of cable television which would warrant use of a lower constitutional standard of scrutiny. For example, in applying generally applicable First Amendment standards for cable television, the District of Columbia Circuit in *Quincy Cable TV, Inc. v. FCC* (Quincy)[135] emphasized that a "fundamental significant"[136] distinction between broadcasting and cable is that the former is subject to the physical limitations of the electromagnetic spectrum.[137] Emphasizing that "the 'scarcity rationale' has no place in evaluating government regulation of cable television"[138] and that "the analogy to more traditional media is compelling,"[139] the court concluded that the broadcast standard of scrutiny was inapposite in evaluating the constitutionality of cable regulations. The court found unpersuasive arguments that the alleged natural monopoly characteristics of cable television[140] of the potential disruption at-

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[135] *Quincy, supra,* n.2.

[136] *Id.* at 1448.

[137] The United States Court of Appeals for the District of Columbia Circuit has consistently rejected the application of a broadcasting standard to cable television on the grounds that spectrum scarcity does not exist in the context of cable television. For example, nine years ago, in *Home Box Office, Inc. v. FCC,* 567 F.2d 944-45 (D.C. Cir. 1977), *cert. denied,* 434 U.S. 829 (1977), the District of Columbia Circuit expressly stated that the traditional First Amendment standard applied to broadcasting services "cannot be directly applied to cable television since an essential precondition of that theory—physical interference and scarcity requiring an umpiring role for government—is absent."

[138] *Quincy,* 768 F.2d at 1449.

[139] *Id.* at 1450.

[140] The court set forth three reasons for this conclusion. First, it expressed skepticism, as a factual matter, that cable operators are in an economic "position to exact monopolistic rents." *Id.* Second, it asserted that "the tendency toward monopoly, if present at all, may well be attributable more to governmental action—particularly the municipal

tendant upon stringing coaxial cable in a public right of way would justify use of a lenient standard of review.[141] The Ninth Circuit, in *Preferred Communications, Inc. v. City of Los Angeles*,[142] has also recently rejected the application of the lower broadcasting standard of scrutiny to cable television for many of the same reasons articulated by the District of Columbia Circuit.

184. Given the unsettled nature of the law in this area, as reflected in the cited judicial opinions, there is no single standard absolutely compelled by case precedent. Nonetheless, we find persuasive the more recent court analyses which conclude that cable's First Amendment rights are subject to a stringent review, rather than the relaxed review used by courts for broadcasting.[143] We do not find

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franchising process—than to any 'natural' economic phenomenon." *Id.* Third, each assuming, *arguendo*, the existence of the "natural monopoly" characteristics of cable television, the court was unpersuaded that purely economic constraints on the number of voices available in a given community would justify the constraints upon First Amendment freedoms. *Id.*

[141] In this regard, the court stated That:

> [t]he potential for disruption inherent in stringing coaxial cables above city streets may well warrant some governmental regulation of the process of installing and maintaining the cable system. But hardly does it follow that such regulation could extend to controlling the nature of the programming that is conveyed over that system.

Quincy, 768 F.2d at 1449.

[142] *Supra* n.132.

[143] Because cable systems do not directly utilize the electromagnetic spectrum, the traditional justification for the application of a lower standard in evaluating the constitutionality of broadcast regulation—spectrum scarcity—simply does not apply to cable television. The three federal circuit courts addressing this issue in the past two years have employed a stricter First Amendment test in assessing the constitutionality of cable regulation. *Quincy, supra; Preferred, supra; Cruz v. Ferre*, 755 F.2d 1415 (11th Cir. 1985). Recent district court decisions

that the rationales for applying a lower First Amendment scrutiny standard analogous to that adopted for broadcasting in *Red Lion Broadcasting Co. v. FCC*,[144] are persuasive or are sufficiently likely to prevail on review that regulations should be based thereon.[145]

185. Rejecting a lower standard of scrutiny based upon the allegedly "unique" characteristics of cable television does not decide the issue of whether the rules adopted in this proceeding comply with the First Amendment.[146] In determining whether or not a governmental regulation comports with the strictures of the First Amendment, the courts have differentiated between governmental actions imposing incidental burdens on speech and those which are content-based. Whereas the former are assessed under the balancing standard enunciated in *United States v. O'Brien*

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have also enunciated constitutional tests which carefully scrutinize governmental actions affecting the First Amendment rights of cable operators. *Community Television of Utah, Inc. v. Wilkinson*, 611 F. Supp. 1099 (D. Utah 1985), *aff'd sub nom. Jones v. Wilkinson*, 800 F.2d 989 (10th Cir. 1986). *See generally Central Telecommunications, Inc. v. TCI Cablevision, Inc.*, *supra* n.101. *See Carlson v. Village of Union City, Michigan*, *supra n.132*.

[144] *Supra n.123*.

[145] Indeed, as the court in *Quincy* noted,

> [T]echnological advances may have rendered the "scarcity rationale" obsolete even for broadcasters. . . . [And while] [t]he Supreme Court recently suggested . . . that it was not prepared to reconsider its "long-standing approach" to the broadcast medium. . . . it made clear that [a] law . . . would receive far more exacting scrutiny if it were directed at non-broadcast speech.

Quincy, 768 F.2d at 1449, n.32 (citations omitted).

[146] As the District of Columbia Circuit recognized in *Quincy*, such a determination by itself "does not, of course, suggest that the First Amendment interposes an impermeable bulwark against any regulation."

Quincy, 768 F.2d at 1450.

(O'Brien),[147] content-based regulations are subject to a far more stringent standard.[148] Before the constitutional permissibility of the mandatory carriage regulations we adopt today can be assessed, therefore it must be determined which standard is applicable.

186. The *Quincy* court acknowledged that the Commission's former must carry rules were not intended to suppress or protect any particular viewpoint. *Quincy*, slip op. at 35.; Nevertheless, the Court "had serious doubts" whether the rules should be evaluated under the *O'Brien* standard because of the nature of the First Amendment intrusions they effected. The court focused on the rules' effect on cable operators' editorial autonomy and noted that they were designed to favor one group of speakers (local broadcasters) over another (cable programmers). The Court was especially concerned that, in systems substantially occupied by mandatory signals, cable programmers are shut out entirely from the only forum capable of carrying their programming, *Id.* at 36, "even if that result directly contravenes the preference of cable subscribers." *Id.* at 39.

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[147] *Supra n.132.*

[148] *See e.g. Miami Herald Publishing Co. v. Tornillo (Miami Herald)* 41 U.S. 241 (1974). As the court in *Quincy* stated, certain content-based regulations appear to be impermissible *per se:*

> [I]f *Miami Herald* supplies the appropriate mode of First Amendment analysis, our inquiry would be at an end without any need for testing against the other *O'Brien* factors or applying any other form of interest balancing. In *Miami Herald* . . . [w]ithout so much as alluding to even the possibility of a subordinating governmental interest, the Court invalidated the statute.

Quincy, 768 F.2d at 1453 (footnotes omitted). Other supreme Court cases, however, have indicated that content-based restrictions will be measured under a compelling state interest standard. *See e.g., Pacific Gas and Electric Co. v. Public Utilities Commission of California (Pacific Gas)*, 106 S.Ct. 903 (1986).

187. Subsequent to the Court of Appeals' decision in *Quincy*, the Supreme Court has again given guidance on how to analyze whether a particular regulation is content-based. In *lCity of Renton v. Playtime Theatres, Inc. (Renton), 106 S. Ct. 925 (1986), the Court upheld as content-neutral a zoning regulation that imposed more stringent requirements upon adult theatres than upon other kinds of theatres. The regulation clearly had the effect of discriminating between classes of speakers; nevertheless, the Court determined that the Renton* ordinance was "completely consistent" with the Court's definition of content-neutral speech regulations because the ordinance "was *justified* without reference to the content of the regulated speech." *Id.* at 929 (emphasis in original).[149] In other words, the Court focused not on the incidental First Amendment effects of the regulation, but on the fact that the ordinance's primary *purpose* was not content-based. *Renton* thus indicates that the fact a regulation distinguishes between classes of speakers is not dispositive of its content-neutral or content-based status; rather the Court's analysis centered on the purposes underlying the regulation. Where the regulation is not designed to promote or suppress particular *viewpoints*, it is deemed content-neutral.[150] As the Court noted, this approach is fully consistent with the First Amendment's underlying purpose; namely to ensure that "government may not grant the use of a forum to people whose views it finds acceptable, but deny use to those

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[149] The Court concluded that the regulation was designed to prevent the second effects of adult theatres on the surrounding community; namely, to prevent crime, protect the city's retail trade, maintain property values, and generally preserve the quality of the city's neighborhoods. Id. at 4162.

[150] Like the court in *Quincy*, we recognize that the same *O'Brien* test would apply to newspapers in assessing the constitutionality of a content-neutral rule. See Quincy, *supra*, at 1452. Thus, in applying the Renton test for determining content-neutral status in this proceeding, we assume that cable operators have the same full First Amendment rights as newspapers.

wishing to express less favored or more controversial views.' " *Id.*

188. Like the former must carry rules (and the zoning regulation in *Renton*), the objective of the interim rules is unrelated to the enhancement or suppression of any particular opinion or viewpoints. The interim rules are designed solely to maintain the benefits of consumers' access to competitive video services during the transition period for the purpose of maximizing diversity of programming; they are not intended to prefer broadcast viewpoints over those of cable operators or programmers. Thus, the rules are not like the constitutionally infirm "right of reply statute" struck down in *Miami Herald, supra,* in which the reply obligation discriminated on the basis of viewpoints because it was triggered by a particular category of newspaper speech and was awarded only to those who disagreed with the newspaper's views. *See also Pacific Gas, supra,* 106 S. Ct at 910.[151] Even though the interim rules might be seen as giving access to certain broadcasters, this access is not dependent upon the expression of particular viewpoints by the cable operator, nor is the carriage right based upon the viewpoints expressed in a particular broadcaster's programming. Thus, employing a *Renton* analysis, which would apply to newspapers as well as to cable, it appears that the interim must carry rules may properly be classified as content-neutral.

189. We believe that many of the First Amendment burdens singled out in *Quincy* as casting particular doubt on the must carry rules' content-neutral status go not to whether *O'Brien* is the appropriate test, but rather to whether the rules can be justified in light of the ancillary

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[151] In *Pacific Gas,* also decided after *Quincy,* a plurality of the Court struck down a utilities commission order that required a utility to include in its billing envelopes messages by a consumer organization. Four members of the Court agreed that the order burdened speech in the same manner as the right of reply statute in Tornillo.

burdens on speech that they impose. In any event, we have attempted to reduce or eliminate these burdens under the interim rules. Unlike the former rules, the interim must carry rules are configured to ensure that a cable system's capacity will not be saturated by mandatory signals, so that the effects on cable operators' editorial discretion and cable programmers' access to the public are no more severe than necessary and certainly less severe than under the former rules.[152] We have examined this issue solely by reference to the principles set forth by the existing Supreme Court precedents, most recently in the *Renton* case. We are satisfied that, under the existing precedent, the interim must carry rules are content-neutral for purposes of determining whether *O'Brien* is the appropriate standard.[153]

190. *Application of the O'Brien Standard.* As the Court of Appeals stated in *Quincy*, under an *O'Brien* analysis, a content-neutral regulation "will be sustained 'if it furthers an important or substantial government interest and . . . if the incidental restriction on alleged First Amend-

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[152] *See para. 197, infra.* In Renton, the Court observed that content-neutral time, place, and manner regulations are acceptable so long as they are designed to serve a substantial governmental interest "and do not unreasonably limit alternative avenues of communication." Id. at 4162. Although the Renton zoning ordinance significantly limited the locations in which adult theaters could be operated within the city, see dissenting opinion of Justice Brennan, the majority concluded that there was still a "reasonable opportunity" to own and operate an adult theater. Id. at 4163. Similarly, by limiting the number of stations that a cable system must carry, the interim regulations are designed to provide cable programmers a "reasonable opportunity" for carriage of their signals on cable systems.

[153] We recognize, of course, that to the extent the interim rules raise novel constitutional issues, a reviewing court may ultimately determine that some departure from past precedent is warranted. Any such extensions of the law, however, are more appropriately made by a reviewing court.

ment freedoms is no greater than is essential to the furtherance of that interest.' "[154]

191. As noted above, we have determined that the narrowly crafted mandatory carriage regulations that we are adopting today are necessary as interim measures to preserve the availability of the program choices to consumers, including broadcast signals, and to ensure that broadcasting has a fair opportunity to compete with cable until it can be assured that viewers have the knowledge and capability to receive off-the-air signals not carried on cable at Which time the interim mandatory carriage rules will no longer be required to assure competition. These objectives, in our view, constitute a sufficiently important interest to satisfy the first part of the *O'Brien* standard.

192. We recognize that the District of Columbia Circuit suggested in *Quincy* that the Commission failed to demonstrate that its former must carry rules furthered a substantial governmental interest. In this regard, the court stated that the mere invocation of a laudatory regulatory objective was not colorably sufficient to withstand consitutional scrutiny under the first part of the *O'Brien* standard[155] and emphasized that the government, under the *O'Brien* standard, bore a "heavy burden"[156] in demonstrating the importance of the regulatory interest. Applying this standard, the court found that the Commission had failed to satisfy, by empirical data, its affirmative obli-

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[154] *Quincy*, 768 F.2d at 1451, quoting O'Brien, 391 U.S. at 377 (ellipses in original). In establishing this standard, the Supreme Court, in addition to the material quoted above, specified that the governmental regulation must be "within the constitutional power of the Government" (O'Brien, 391 U.S. at 377) and that the governmental interest [be] . . . unrelated to the suppression of free expression." Id.

[155] Id. at 1454, 1457.

[156] *Id.* at 1454, 1457.

gation to obtain support for the assumptions underlying its analysis.[157]

193. As reflected by subsequent Supreme Court case law, however, we believe that the court in *Quincy* required a more vigorous documentation of the substantiality of the governmental interest than is necessary under the first part of the *O'Brien* standard. In *Renton*, the Supreme Court concluded that a zoning ordinance involving adult theaters furthered the substantial governmental purpose of preserving the quality of urban life despite the absence of any specific studies demonstrating that regulatory intervention was needed to vindicate the city's asserted interest in enacting the ordinance.[158] As long as the governmental entity relies upon evidence that it reasonably believes is relevant, the Court determined that new studies supporting the governmental action were not necessary. The Court thus expressed its willingness to accept the interest identified by the governmental entity as substantial as long as that entity reasonably believes that the evidence supporting that interest bears some relation to the problem that the regulation is designed to correct.

194. Irrespective of whether or not the court in *Quincy* applied a proper burden of proof, however, we believe that the need for rules, including temporary provisions requiring the carriage of off-air television broadcast stations, in order to foster the governmental interest in maximizing

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[157] Id. at 11457.

[158] The Supreme Court reversed the lower court, inter alia, for failing to provide sufficient deference to the articulated governmental interest. The Court noted that the Court of Appeals had found the "city's justifications for the ordinance" to be "conclusory and speculative" on the grounds that "the Renton ordinance was enacted without the benefit of studies specifically relating to 'the particular problems or needs of Renton.' " The Court concluded that this reasoning "imposed on the city an unnecessarily rigid burden of proof." Renton, 106 S.Ct. at 930, quoting Renton v. Playtime Theatres, Inc., 748 F.2d 527, 537 (9th Cir. 1984).

diversity of program choices and in fostering competition among program sources constitutes a substantial and compelling government interest. In this regard, we have conducted a thorough and searching inquiry regarding whether or not the imposition of regulations governing signal carriage of cable systems is necessary to further our responsibilities under the Communications Act. We have carefully considered the comments of record and concluded, at this time, that the regulations adopted herein are in fact necessary to avoid potentially adverse effects on the range of program alternatives available to the public.[159] We believe that the evidentiary basis for this conclusion — which is set forth in the Need for Regulation section, above — amply satisfies the requirements specified under the first part of the *O'Brien* standard.[160]

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[159] As discussed above, *infra*, existing empirical data concerning the actual effects of deletion of the must carry rules on signal carriage is sparse. Moreover, given the rapidly evolving nature of the cable industry and changing competitive incentives resulting from the continuing development of satellite programming services carried by cable systems and other factors, *see* para. 39 *supra*, it is not clear that timely empirical studies could be carried out that would provide an accurate forecast of the effects of deleting the rules. The evidence does demonstrate, however, that a substantial number of cable subscribers have not maintained independent access to off-the-air reception and, therefore, would not currently be able to view stations if they were dropped by cable systems. Given the substantial federal interests at stake and the potential for cable systems to delete competitive broadcast services, we find that the record justifies continuance of must carry obligations as a transitional measure.

[160] As noted above, with the exception for noncommercial broadcast stations, the rule which we adopt today exempts cable systems with less than 20 activated channels from the mandatory carriage requirement. Because small cable systems have fewer channels upon which to disseminate information, we believe that even a limited mandatory carriage requirement for commercial stations would have a significant impact upon these systems' ability to choose programming for their subscribers. This exemption, therefore, reflects our view that although our interest in preserving the programming choices afforded by local

195. Under the second part of the *O'Brien* standard, a governmental agency is accorded a substantial degree of discretion in the manner in which it effectuates a regulatory purpose.[161] In this regard, the Supreme Court has stated that:

[R]egulations [are not] invalid simply because there is some imaginable alternative that might be less burdensome on speech. Instead, an incidental burden on speech is not greater than is essential, and therefore is permissible under *O'Brien*, so long as the neutral regulation promotes

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broadcasting is substantial, it must be balanced against the similarly substantial First Amendment rights of cable. We have concluded that the former must give way to the latter where cable has 20 or fewer channels. We note that the Supreme Court, in applying the O'Brien standard, recently stated that:

> [T]he First Amendment does not bar application of a neutral regulation that incidentally burdens speech merely because a party contends that allowing an exception in the particular case will not threaten important government interests.

United States v. Albertini (Albertini), 105 S.Ct. 2897, 2907 (1985).

[161] *Clark v. Community for Creative Non-Violence (Clark)*, 468 U.S. 288 (1984); *Albertini, supra.* In *Clark*, the Supreme Court upheld the constitutionality of a regulation prohibiting camping in Lafayette Park against the contention That the regulation violated the First Amendment rights of demonstrators protesting the plight of the homeless. The Court rejected the argument that the regulation was over broad because the Park Service, short of an absolute prohibition on sleeping, could have adequately protected park lands by limiting the size, duration or frequency of the demonstration. In finding that the regulation comported with the least restrictive means criterion, the Court stated that the amount of protection which the parks require is a matter of dispute and that O'Brien:

> [does not] assign to the judiciary the authority to replace the Park Service as the manager of the Nation's parks or endow the judiciary with the competence to judge how much protection of park lands is wise and how that level of conservation is to be attained.

Clark, 468 U.S. 299 (footnote omitted). *See generally Renton, 106 S.Ct. at 931.*

a substantial government interest that would be achieved less effectively absent the regulation.[162]

While the court, in *Quincy,* recognized that "its duty to police the First Amendment's requirement that intrusive governmental action be corrected does not imply the authority to 'finetune' administrative regulation,"[163] and that "[a]n agency typically has broad discretion over the manner in which it endeavors to effect its public interest objectives,[164] it nonetheless found that the prior must carry rules were not sufficiently narrows in scope to justify their substantial infringement on the constitutional rights of cable operators. Indeed, characterizing the must carry rules as "fatally overbroad," The court stated that "it is difficult to imagine a less discriminating or more overinclusive means of furthering the Commission's stated objectives."[165]

196. Unlike the former mandatory carriage rules invalidated in *Quincy,* we believe that the interim rules adopted in this proceeding are narrowly tailored to further our stated objectives. Indeed, with respect to overbreadth, our new mandatory carriage rules are different in several critical respects from the rules struck down in *Quincy.* For example, in *Quincy* the court stated that the Commission's former mandatory carriage rules: apply with equal force regardless of the degree of intrusion on First Amendment freedoms. They draw no distinction between cable systems that carry 100 signals and those that carry 12. Nor do they distinguish between systems that are saturated with must carry signals and those that are not.[166]

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[162] *Albertini,* 105 S.Ct. at 2907 (citations omitted).

[163] *Quincy,* 768 F.2d at 1459, *quoting White House Vigil for the ERA Committee v. Clark,* 746 F.2d 1518, 1519 (D.C. Cir. 1984).

[164] *Id.*

[165] I d. at 1459.

[166] Id. at 1462, n.55.

By generally exempting cable systems with 20 or less activated channels and by providing for absolute limitations on the number of stations that a cable system must carry, however, which are scaled to the number of activated channels, our new rules guarantee that a significant amount of the programming capacity of cable operators will not be subject to mandatory carriage requirements. In this regard, the new regulations remedy infirmities in the prior must carry rules that the appellate court found to be "[e]specially troubling."[167]

197. The court in *Quincy* also criticized the former mandatory carriage rules for "indiscriminately protect[ing] each and every broadcaster . . . irrespective of the number of local outlets already carried by the cable operator."[168] The rules we adopt today do not contain that deficiency. The rights of a "qualified" local broadcast station to carriage depend upon the number of other "qualified" stations in the community as well as the channel capacity of the cable operator. Accordingly, we believe that these rules fulfill our vital objective of maximizing program choices for viewers by providing limited, transitional protection to the over-the-air broadcasting system, yet do so in a manner which is least restrictive of the editorial discretion of cable operators.

198. Certain parties to this proceeding in effect contend that any rules that fail to provide protection for stations in financial need, such as struggling UHF stations, are not sufficiently tailored. These parties essentially argue that a failure to adopt rules that specifically aid stations they perceive to be "deserving" renders those rules constitutionally infirm. We disagree. Our objective in adopting these rules is neither to penalize nor to benefit any particular station. Rather, our objective is to temper, during

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[167] Id.

[168] Id. at 1460.

an interim period, potential threats to the program Source diversity provided by the system of "broadcasting." This goal is critically distinct from any asserted-interest, which we do not espouse, in protecting the service of particular "local broadcasters."[169] We have provided for an initial Twelve-month period in which new stations, regardless of viewership, will be eligible for must carry status. This should afford new facilities an opportunity to establish a marketplace position before becoming subject to the viewing standards in the new rules. We believe this approach is necessary to adequately protect the "entry" mechanism of the broadcasting system. Beyond this "new" station exception, however, we believe that the use of a viewership test as a qualification for mandatory carriage of commercial stations properly balances our interest in the continued availability of programming alternatives offered by the traditional, free broadcast television system and our interest in according the broadest possible editorial discretion to cable operators.[170]

199. Finally, with respect to appropriate tailoring of our new regulations, it is critical to note that we have restricted them both in scope *and* in duration. While we believe that our interim mandatory carriage rules are sufficiently narrowly tailored to satisfy *O'Brien,* we recognize

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[169] Id. at 1460 (emphasis in original).

[170] We note that the court, in *Quincy,* criticized the former must carry rules for providing "indiscriminate protection [for] every broadcaster regardless of whether or to what degree the affected cable system poses a threat to its economic well-being." Id. at 1461. As noted above, however, the new rules do not accord blanket protection for all local stations and the economic effect of the rules on any individual station is not our primary concern. On the contrary, a requirement that failing stations be carried might be inimical to the public interest, in that we might well be requiring cable systems to carry broadcast stations the public did not want to watch, thereby preventing the cable system from offering a program service the viewers preferred. This would run directly counter to the *Quincy* court's concern that our former must carry rules were unresponsive to consumer preference.

that any such rules nevertheless restrict cable's editorial discretion. Accordingly, we have designed these rules so that they will continue no longer than necessary and we have paired them with ongoing requirements relating to input selector switches and consumer education so that we can rely on the latter rather than the former as soon as possible. The mandatory carriage requirements imposed here will automatically terminate in five years and are specifically designed to facilitate a transition to an unregulated environment where free and open compensation in the marketplace of ideas will govern the success or failure of programming, whether it is delivered by cable or by broadcast television.

200. In conclusion, we believe that the rules which we adopt today satisfy the requirements of the First Amendment. These rules narrowly further the important governmental interest in maximizing program choices and preserving competition in video services, yet they are limited in both scope and duration to maximize the ability of cable to achieve full participation in the information services marketplace by preserving (under the compulsory licensing system) the ability of cable operators to freely exercise their editorial discretion and to thereby respond to their viewers needs.

Other Statutory and Constitutional Concerns

201. Several commenters opposed to must carry requirements argue that the Commission is prohibited from adopting new rules by Section 624 of the Cable Act[171] and Section 326 of the Communications Act.[172] Also, some opponents assert that must carry rules constitute a taking in violation of the Fifth Amendment.

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[171] 47 U.S.C. § 544.

[172] 47 U.S.C. § 326.

202. *Comments.* Several cable parties argue that Section 624 of the Cable Act prohibits the Commission from reimposing mandatory carriage obligations on the part of cable operators. The 19 Cable Operators contend that Section 264 demonstrates a strong recognition by Congress of the First Amendment rights of cable operators consistent with the findings of the *Quincy* court. American Television and Communications Corporation (ATC) states that a central theme of the Cable Act generally, and Section 624 in particular, is to increase cable operators editorial discretion and to limit the ability of federal, state and local governments to influence cable programming content. In this regard, it claims that Section 624(b) prohibits the government from dictating the programming provided over a cable system.[173] ATC cites the House Report as underscoring the point that "[a] franchising authority is not permitted to establish particular service requirements which involve the provision of specific information to subscribers."[174]

203. ATC, 89 Cable Operators filing joint comments (89 Cable Commenters) and others state that the provisions of Section 624(f)(1) and (2) of the Cable Act bar the Commission from adopting new rules.[175] They argue that since the must carry rules were declared unconstitutional, they

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[173] Section 624(b) of the Cable Act provides, in part; "In the case of any franchise granted after the affective date of this title, the franchising authority, to the extent related to the establishment or operation of a cable system—(1) in its request for proposals for a franchise . . . may not establish requirements for video programming or other information services."

[174] H.R. Rep. 934, 98th Cong., 2d Sess. 69 (1984).

[175] Section 624(f)(1) provides that "[a]ny Federal agency, State, or franchising authority may not impose requirements regarding the provision or content of cable services, except as expressly provided in this title." Section 624(f)(2) provides that paragraph (1) shall not apply to any Commission rule either in effect on September 21, 1983, or amended after such date if the amendment is not inconsistent with the express provisions of the Cable Act.

no longer exist and, therefore, there are no rules that can be amended. They conclude that the Commission cannot either retain or amend the rules that the Commission thus is placed in "statutory stalemate."

204. The 89 Cable Commenters and the North Carolina CATV Association also argue that the anti-censorship provision in Section 326 of the Communications Act prohibits any must carry regulations.[176] They argue that such rules "interfere With the guaranteed rights of the cable operator and its subscribers to receive, free of governmental supervision or pressure, available, lawful communications of their choice."

205. ATC further contends that any must carry rule that confers an absolute right on a broadcast licensee to occupy some portion of a cable operator's channel capacity, thereby denying the operator use of that channel for other purposes, constitutes a governmental taking of property without just compensation. In this regard, ATC argues that musty carry rules provide uninvited access to private cable property by local broadcast stations and require permanent use in violation of The Fifth Amendment.[177]

206. *Evaluation.* We are unpersuaded that either the Cable Act, the Communications Act, or the Fifth Amendment prohibit the Commission from adopting new interim must carry rules. Turning first to the Cable Act, we believe that Congress was cognizant of the need to maximize program choices and to maintain an open, competitive market for television services in formulating legislation that would afford cable operators broad discretion over the con-

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[176] Section 326 of the Communications Act withholds from the Commission "the power of censorship over the radio communications or signals transmitted by any radio stations" and prohibits it from promulgating any "regulation or condition which shall interfere with the right of free speech." 47 U.S.C. Section 326.

[177] *Loretto v. Teleprompter Manhattan CATV Corp. (Loretto)*, 458 U.S. 419, 441 (1982).

tent of their program services. Congress' recognition that an unbridled cable industry might destructively unbalance the nation's television system is evinced in The legislative history describing the need for the Cable Act. The legislative history states that "in adopting this legislation, the Committee is concerned that Federal law not provide the cable industry with an unfair competitive advantage in the delivery of video programming."[178] It is against this backdrop that Congress adopted Section 264 of the Cable Act.

207. With respect to ATC's assertion concerning Section 624(b) of the Cable Act, we observe that this provision only applies to franchising authorities. Inasmuch as the Commission is not a franchising authority, we conclude that Section 624(b)l does not affect the Commission's authority to adopt interim must carry rules.

208. Section 624(f) melds together Congress' concerns for cable operators' editorial discretion and a competitive balance among providers of video programming. On the one hand, Congress limited the Commission's authority to affect the provision or content of cable services and, on the other hand, it lent its approval to such regulations by grandfathering those rules in place on September 21, 1983, and authorizing their subsequent amendment. in this regard, the only Commission regulations explicitly referred to in the House Report on the Cable Act are the former must carry rules. The House Report states that "[r]egulations which relate to the content of cable service and which remain in effect include the FCC's must-carry requirements."[179]

209. We believe that this specific reference by Congress To the must carry rules and provision for their amendment by the Commission is an expression of Congress' intention that the Commission continue to have the authority to

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[178] H.R. Rep. No. 934, 98th Cong., 2d Sess. 22 (1984).

[179] House Report, *supra* at 70.

regulate to maximize viewers' program choices and to promote a competitive environment for video services. Whereas Congress did not contemplate the court finding the must carry rules unconstitutional, we do not read the Cable Act as codifying the must carry rules or precluding their amendment.

210. We next address the jurisdictional issue raised in connection with the anti-censorship provision of Section 326 of the Communications Act. We believe that this provision also is not a statutory impediment to interim must carry rules. One of the primary thrusts of this proceeding is that regulations affecting cable television must be reconciled with free speech considerations. In this respect, in Section 326 of the Communications Act, Congress made clear its expectation that our regulations would be consistent with the First Amendment. As discussed herein, we believe that the rules we are adopting are consistent with the First Amendment under an *O'Brien* analysis and, therefore, we conclude that they do not transgress Section 326 of the Communications Act.

211. Finally, we find that the concerns raised in connection with the fifth Amendment do not present a constitutional bar to the rules we are adopting. We believe that must carry rules are not a "taking" against private property for public use without compensation. In this regard, the relevant constitutional test applicable in cases involving regulations under the Communications Act was articulated long ago and is still valid today:

> If the injury complained of is only incidental to the legitimate exercise of governmental powers for the public good, then there is no taking of property for the public use, and a right of compensation, on account of such injury does not attach under the Constitution. When Congress imposes restrictions in a field falling within the scope of its legislative authority and a taking of

property without compensation is alleged, the test is whether restrictive measures are reasonably adapted to secure the purposes and objects of regulation. If this test is satisfied, then "the enforcement of uncompensated obedience" to such regulation "is not unconstitutional taking of property without compensation or without due process of law."[180] As established above, we believe that the transitional must carry rules are reasonably related to our federal objectives with respect to television service and further believe they do not prevent a reasonable use of the property.[181] We conclude, therefore, that these rules do not result in an unconstitutional taking of property.[182]

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[180] *Trinity Methodist Church South v. Federal Radio Commission*, 62 F.2d 850, 853 (D.C. Cir. 1932) (citations omitted). See also *Penn Central Transportation Co. v. New York City*, 438 U.S. 104, 123-123, (1978), which also concludes that regulation of use of private property which impairs its value is not a taking if it serves a substantial public purpose and does not prevent a reasonable use of the property.

[181] Here, it is clear that our interim rules permit reasonable use of cable facilities, *see* discussion *supra* at paras. 197-201; moreover, given the long history of federal and state regulation of cable since the service's inception, the interim rules plainly do not have a significant impact on investor expectations. See Penn Central, Supra, at 124-25. *Loretto, supra*, is not to the contrary. The case involved a permanent, physical occupation of property, a factor that is not present here. The Loretto Court also clearly distinguished those cases in Which there was merely a restraint on the owner's use of property requiring an ad hoc analysis, as in *Penn Central, supra*, to determine if there is a compensable taking. *See also MacDonald, Sommer & Frates v. Yolo County*, 106 S. Ct. 2561, 2566 (1986), reiterating that the Court has no "set formula to determine where regulation ends and taking begins." (Citation omitted.)

[182] The only federal appeals court to directly confront the Fifth Amendment issue presented by must carry rules stated that because the rules are reasonably related to the objectives of the Communications Act, they do not constitute a taking in violation of the Fifth Amend-

OTHER REGULATORY FACTORS AFFECTING TELEVISION MARKETS

212. In determining the need for regulation in this proceeding, we found that the former must carry rules contributed to the creation of a misperception on the part of cable subscribers which needs to be corrected before market mechanisms can be relied upon to achieve maximum diversity for the public. At this juncture, we also observe that there appears to be a number of factors and policies outside the scope of this proceeding that also create disequilibria in the competitive marketplace that may adversely affect viewers' access to program choices. First and foremost among these is the cable television industry's exemption from negotiating in the market for copyrighted broadcast program material, an exemption provided by the compulsory copyright licensing system enacted ten years ago. The effects of this exemption were magnified by the subsequent repeal of the syndicated exclusivity rules in 1979. Moreover, the Commission's prohibition against local telephone companies' ownership of cable television systems, and the exclusivity provisions in many local franchising agreements, have further insulated cable systems from some types of actual or potential competition.

213. The enactment of the compulsory copyright law, the repeal of the syndicated exclusivity rules, the federal prohibition on cable-telephone company cross-ownership, and the nonfederal restrictions on intramodal competition were undertaken in the interests of what were then perceived to be policies overriding whatever distortions in the market happened to have been created by these actions. Given the progressive maturation of the cable industry and the tensions created by the development of the video distribution market during the last several years, we believe

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ment. See Black Hills Video Corporation v. FCC, supra. See also Quincy at 1447, n.27, wherein the court declined to address the petitioner's Fifth Amendment contentions.).

it appropriate to reassess whether, in light of current conditions, these measures continue on balance to truly maximize consumer choice in programming options or to otherwise serve our public interest objectives. Our action today is supportable in its own right based on the evidenced adduced in the record, independent of any examination of these matters or conclusions reached thereon. We believe it appropriate, however, to conduct a larger independent evaluation of the cable industry. Therefore, we have directed the staff to take the following actions:

*With respect to the question of exclusive franchises for cable systems, the Office of General Counsel will participate in the remand proceedings ordered in the Supreme Court's decision in *City of Los Angeles and Department of Water and Power v. Preferred Communications, Inc.*[183] and in any other case(s) raising the issue of whether exclusive cable television franchises comport with the First Amendment;

*The Mass Media Bureau and the Office of Plans and Policy will prepare inquiries to study the effects of the compulsory copyright licensing scheme, the absence of syndicated program exclusivity, and the effect of the network program exclusivity rules on maximizing consumer choice in the programming options available on cable television and broadcast television. The results of these inquiries will be used by the Commission as the bases for possible rule making and/or legislative proposals, as appropriate.

*The Common Carrier Bureau will prepare a Notice of Inquiry to obtain information on the question of the restriction on cable ownership placed on local exchange telephone companies, to develop possible legislative proposals, if appropriate.

214. In addition, we are recommending that Congress begin its own review of those aspects of the television

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[183] 106 S. Ct. 2034 (1986).

market structure that pose impediments to a fully competitive environment for program services. IOn particular, we urge that Congress examine the efficacy of the compulsory copyright licensing system in light of the comments of the Department of Justice, the National Telecommunications and Information Administration, and others ion this proceeding. We intend to transmit to the Congress upon its completion the report of the Commission on the benefits and drawbacks of retaining the current compulsory licensing system for purposes of possible amendatory legislation, and we are prepared to work with the Congress in the interim on this matter should our participation be so requested.

PROCEDURAL MATTERS

215. Pursuant to the Regulatory Flexibility Act of 1980, the Commission's final analysis is as follows:

I. *Need for and purpose of the rules.*

The Commission's mandatory signal carriage requirements were ruled constitutionally invalid in *Quincy Cable TV, Inc. v. FCC.* After examination of the record, the Commission determined that the most appropriate course of action in this matter is to adopt a regulatory program that will provide an orderly transition from the current situation where there is need for must carry regulation to its long term objective of developing an environment in which consumers will be able effectively to choose between cable and broadcast television program services. The first part of this two part program services. The first part of this two part program requires cable systems to offer their subscribers input selector switches that enables use of an antenna in conjunction with cable service and to implement a consumer education program To inform subscribers that it may be necessary to have off-the-air reception capability to receive all of the available broadcast signals. These requirements are intended to eliminate, over time, the cur-

rent perceived capability of cable systems to limit their subscribers' access to over-the-air broadcast stations. The second part of this program consists of interim must carry rules that will expire at the end of five years. These rules that will expire at the end of five years. These rules will provide for an orderly transition to a market environment where must carry regulations are no longer necessary. During the transition period, the input selector switch requirement and consumer education program will work to gradually supplant must carry rules and assure subscribers' access To local television broadcast stations.

II. *Summary of issues raised by public comments in response to the initial regulatory flexibility analysis, Commission assessment, and changes made as a result.*

A. *Issues Raised.* No commencing parties raised issues specifically in response to the initial regulatory flexibility analysis. However, several parties objected to imposing new must carry rules specifically on small cable systems, and other parties representing small broadcast stations supported the need for such rules. We believe that the interim must carry rules we are adopting impose a minimal burden on both large and small cable systems. We believe that our new requirements are particularly sensitive to the needs of small cable systems in serving their subscribers by not requiring systems with fewer than 20 channels to carry any stations other than one noncommercial educational station. The new rules will also not impose a significant burden on cable systems because they condition carriage on a system's usable channel capacity, thus ensuring that small cable systems are not overly burdened by must carry requirements. At the same time, these interim requirements will ensure that cable subscribers are not suddenly deprived of signals, particularly those of noncommercial educational stations. Likewise, we believe that the new rules consider the needs of small commercial and noncommercial stations by not requiring noncommercial

stations or stations that have been operational less than 12 months to meet the viewing standard criteria to qualify for carriage.

The input selector switch requirements and consumer education program will impose some cost burdens on all cable systems. The cost of supplying and installing the switch for new subscribers and of making the switch available to existing subscribers who choose to have it will be absorbed by cable systems. However, the switch is a low-cost item on a wholesale basis, and we anticipate that manufacturers will supply the switch to cable operators at volume discounts. In addition, installation costs will be minimal, since the switch will be installed at the same time that cable service is installed for new subscribers. Furthermore, the on-going nature of our requirements will spread the cost to the operator over an indefinite time period. We also believe that the cable operator will derive some benefits in the marketing of cable service by offering the switch to new subscribers. While we recognize that these requirements impose burdens on cable operators, we believe they are necessary and justified in light of the importance of our federal objectives.

We also recognize that the consumer education program will impose some burden on cable systems. However, we expect that cable operators will be able to consolidate these requirements with other system functions such as regular mailings. In fact, the consumer education program may benefit cable systems by providing a new opportunity for communication with subscribers. In addition, switch manufacturers may help reduce cable operators' burden by supplying them will switch installation instructions appropriate for use by consumers.

B. *Assessment.* As stated in our initial regulatory flexibility analysis, we anticipate that the interim mandatory carriage requirements will have significantly less impact than our previous must carry requirements. While the in-

put selector switch requirements will impose new burdens on cable operators, we believe they are necessary to the achievement of our federal objectives.

C. *Changes made as a result of comments.* While no parties filed comments concerning the initial regulatory flexibility analysis, many parties suggested alternative regulatory policies in the general comments. Our final decision in this matter reflects our consideration of these proposals and the effect of our policies on small business entities in both the broadcast and cable industries.

III. *Significant alternatives considered and rejected.*

We have considered all the alternatives presented in the *Notice* and those presented in the record in this proceeding. After full consideration of all of the issues raised throughout the course of this proceeding, we have adopted rules that we believe are the most reasonably fashioned in light of the facts and issues presented.

216. The rules adopted herein have been analyzed with respect to the Paperwork Reduction Act of 1980 and found to impose new or modified requirements or burdens on the public. Implementation of these new/modified requirements and burdens will be subject to approval by the Office of Management and Budget as prescribed by the Act.

217. The Secretary shall cause a copy of this *Report and Order*, including the Final Regulatory Flexibility Analysis, to be sent to the Chief Counsel for Advocacy of the Small Business Administration, in accordance with Paragraph 603(a) of the Regulatory Flexibility Act (Pub. L. No. 96-354, 94 Stat. 1164, 5 U.S.C. §§601 *et seq.*, (1981)).

218. Accordingly, IT IS ORDERED THAT under the authority contained in Section 4(i) and 303 of the Communications Act of 1934, as amended, Part 76 of the Commission's Rules and Regulations IS AMENDED as set forth in the attached Appendix B, subject to approval by the

Office of Management and Budget pursuant to the Paperwork Reduction Act of 1980. These rules and regulations ARE EFFECTIVE January 15, 1987.

219. IT IS FURTHER ORDERED, THAT good cause not having been shown, the "Emergency Motion to Terminate Proceeding or, Alternatively, to Defer Action," filed August 4, 1986 by Cole, Raywid & Braverman IS DENIED.

221. IT IS FURTHER ORDERED, THAT this proceeding and those in Docket Nos. 21323, 81-741, and 84-168 ARE TERMINATED.

FEDERAL COMMUNICATIONS COMMISSION

William J. Tricarico

Secretary

APPENDIX A

List of Commenters
Initial Comments

1. WLIG-TV, Inc.

2. Providence Journal Company

3. Ponderosa Television Inc.

4. USA Network

5. Meridian Communications Corporation

6. Centel Cable Television

7. Joint Comments of 89 Cable System Operators

8. Community Antenna Television Association, Inc.

9. Family TV Associates

10. Community TV Corp., Hudson Cablevision Corp., Lakes Cablevision Corp.,

Milford Cablevision Corp., and Souhegan Cablevision Corp.

11. Press Broadcasting Company

12. Grace Cathedral, Incorporated

13. Maryland-District of Columbia-Delaware Broadcasters Association, Inc.

14. Connecticut Cable Television Association, Inc.

15. National Cable Satellite Corporation—C-SPAN

16. Spanish International Communications Corporation, Bahia de San

Francisco Television Company, The Seven Hills Television Company

17. New Jersey Public Broadcasting Authority

18. Donrey Media Group

19. Eternal Word Television Network, Catholic Cable Network

20. United Television, Inc.

21. National Telecommunications and Information Administration

22. New York State Commission on Cable Television

23. Channel 66 Associates Limited Partnership

24. National Association of State Cable Agencies

25. Financial News Network Inc.

26. United States Department of Justice

27. North Carolina Association of Broadcasters

28. ABC Television Affiliates Association

29. Taft Broadcasting Company

30. National Telephone Cooperative Association

31. Tele-Communications, Inc.

32. Association of National Advertisers, Inc.

33. Office of Communication of the United Church of Christ, Henry Geller

and Donna Lampert

34. National Association of Broadcasters

35. Western Communications Inc. and Gill Industries

36. Pennsylvania Pay Television, Inc.

37. TVX Broadcast Group, Inc.

38. Cape Video Network, Limited Partnership

39. State Public Broadcasting Networks of Alabama, Alaska, Connecticut,

Georgia, Iowa, Kentucky, Louisiana, Maryland, Mississippi, New Hampshire,

New York, Oklahoma, Rhode Island, South Carolina, South Dakota, Virgin

Islands, West Virginia, and Wisconsin

40. Maranatha Broadcasting Company, Inc.

41. Fleischman and Walsh on behalf of Adelphia Communications Corporation, Arizona Cable Television Association, Bucks County Cablevision, Coaxial Communications, The Essex Companies, Falcon Cablevision, Hauser Communications, Inc., Helicon Corporation, Maine Cable Company, McCaw Communications Companies, Inc., Mid-America Cable Television Association, Pennsylvania Cable Television Association, Sunbelt Cable, Ltd., Tele-Media Corporation, Tidel Communications Inc., Vision Cable Communications, Inc., Whitcom Investment Company, Whitney & Company, Inc., and W.W. Communications, Inc. (Nineteen Cable Operators)

42. Richard S. Leghorn

43. National Cable Television Association, Inc.

44. Association of Independent Television Stations, Inc.

45. Buffalo Broadcasting Company, Inc.

46. American Television and Communications Corporation

47. Black Entertainment Television

48. CBS Inc.

49. Station Representatives Association, Inc.

50. Corporation for Public Broadcasting, the National Association of Public

Television Stations, and the Public Broadcasting Service

51. Heritage Communications, Inc.

52. Astroline Communications Company Limited Partnership, Four Star

Broadcasting, Inc., Amistad Communications of the Southwest, Kyles

Broadcasting Ltd., Mandeville Communications Company of New Orleans

and Tampa Bay Broadcasting, Ltd.

53. The City of New York Municipal Broadcasting System

54. The City of Boston

55. American Cable Publishers Institute, Inc.

56. Howard University, The National Association of Black-Owned Broadcasters, The National Bar Association and the National Conference of Black Lawyers Communications Task Force

57. City of New York

58. Alaska Broadcasters Association, Bonneville International Corporation KIRO, Inc., Maine Radio and Television Company, WLBZ TV, Inc., Quincy Broadcasting Company, KTTC Television, Inc., WVVA Television, Inc., and WSJV Television, Inc.

59. Grant Broadcasting System, Inc.

60. Smaller Market UHF Television Stations Group

61. KWTX Broadcasting Co., Inc., Texoma Broadcasters, Inc., Brazos Broadcasters, Inc.

62. California Cable Television Association

63. Television Operators Caucus, Inc.

64. National Broadcasting Company, Inc.

65. Turner Broadcasting System, Inc.

66. Cosmos Broadcasting Corporation and WPNI Television Company, Inc.

67. Telepictures Corporation

68. Tulsa 23

69. United States Catholic Conference

70. Tribune Broadcasting Company

71. Gateway Communications, Inc.

72. The Association of Maximum Service Telecasters

73. North Carolina CATV Association

74. Seattle Television Limited Partnership

75. Association of Program Distributors

76. Studioline Cable Stereo Network/Studioline Corporation of America

77. KMSS-TV, Shreveport, Louisiana

78. Malrite Communications Group, Inc.

79. Motion Picture Association of America, Inc.

80. NATPE International

81. ATV Broadcast Consulting Inc.

82. Gray L. Christensen

83. Lincoln Broadcasting Company

84. Broadcast-Cable Associates

85. KQTV Television

86. W-TWO Television Center

Reply Comments

1. National Coalition For Minority Broadcasting

2. Heritage Communications, Inc.

3. Gray L. Christensen

4. Bureaus of Competition, Economics and Consumer Protection of the Federal Trade Commission

5. Richard S. Leghorn

6. American Communications and Television, Inc.

7. ABC Television Affiliates Association

8. Corporation For Public Broadcasting, the National Association of Public Television Stations and the Public Broadcasting Service

9. Summit Radio Corporation

10. Astroline Communications Company Limited Partnership, Four Star Broadcasting, Inc., Amistad Communications of the Southwest, Kyles Broadcasting, Ltd., Mandeville Communications Company of New Orleans and Tampa Bay Broadcasting, Ltd.

11. Financial News Network Inc.

12. New Jersey Public Broadcasting Authority

13. California Broadcasting Association

14. William B. Smullin

15. Joint Reply Comments of 89 Cable System Operators

16. Donrey Media Group

17. Great Trails Broadcasting Corp.

18. Bloomington Comco, Inc. and Gerald J. Robinson

19. Spanish International Communications Corporation, Bahia De San Francisco Television Company and The Seven Hills Television Company

20. National Cable Television Association, Community Antenna Television Association, National Association of

Broadcasters, Television Operators Caucus and Association of Independent Television Stations, Inc.

21. American Television and Communications Corporation

22. Grace Cathedral, Incorporated

23. National Telephone Cooperative Association

24. Office of Communication of the United Church of Christ, Henry Geller and Donna Lampert

25. City of New York

26. National Black Media Coalition

27. Cablevision Systems Corporation

28. Western Communications Inc.

Comments on the Industry Agreement

1. Malrite Communications Group, Inc.

2. McGraw-Hill Broadcasting Co., Inc., The New York Times Co. and Desert Empire TV Corp.

3. Maryland Public Broadcasting Commission

4. Community Antenna Television Association

5. National Coalition for Minority Broadcasters

6. Maranatha Broadcasting Company, Inc.

7. City of New York

8. WBNS-TV, Inc. and Video Indiana Inc.

9. Sunshine Television Inc.

10. Carolina Christian Broadcasting, Inc.

11. WLIG-TV, Inc.

12. Fisher Broadcasting, Inc.

13. Montana Television Network

14. Providence Journal Company

15. WTZA-TV Associates

16. Meridian Communications Corporation

17. Corporation for Public Broadcasting, the National Association of Public Television Stations, and the Public Broadcasting Service

18. Jim Francis

19. Grace Cathedral, Incorporated

20. Howard University, The National Association of Black-Owned Broadcasters, The National Bar Association and The National Conference of Black Lawyers Communications Task Force

21. American Cable Publishers Institute, Inc.

22. Robert Schultz, President, VideoProbeIndex, Inc.

23. St. Charles CATV Inc. and Chasco Cablevision, Ltd.

24. KUTV, Inc. and Kansas State Network, Inc.

25. Duhamel Broadcasting Enterprises

26. Turner Broadcasting System, Inc.

27. Richard S. Leghorn

28. The Frontier Broadcasting Companies

29. Fargo Broadcasting Corp.

30. United States Department of Justice

31. Cablevision Systems Corporation

32. Summit Radio Corporation

33. Channel 17 Associates, Ltd.

34. National Association of Broadcasters

35. WNJU-TV Broadcasting Corporation

36. Gill Industries, Inc.

37. ABC Television Affiliates Association

38. Alison Greene, Loyola Law Review

39. United States Catholic Conference

40. National Cable Television Association, Inc.

41. Adelphia Communications Corporation, Arizona Cable Television Association, Bucks County Cablevision, Coaxial Communications, The Essex Companies, Falcon Cablevision, Hauser Communications, Inc., Helicon Corporation, Maine Cable Company, McCaw Communications Companies, Inc., Mid-America Cable Television Association, Pennsylvania Cable Television Association, Sunbelt Cable, Ltd., Tele-Media Corporation, Tidel Communications, Inc., Vision Cable Communications, Inc., Whitcom Investment Company, Whitney & Company, Inc., and W.W. Communications, Inc. (Nineteen Cable Operators)

42. Metropolitan Board of Education, Long Island Educational Television Council, Metropolitan Pittsburgh Public Broadcasting Inc., and Santa Clara Board of Education

43. National Independent Television Committee

44. Television Operators Caucus, Inc.

45. Canadian Broadcasting Corporation

46. Association of Independent Television Stations, Inc.

47. Allen Broadcasting Corporation

48. Capital Cities/ABC, Inc.

49. WFLI, Inc.

50. Bloomington Comco Inc. and Gerald J. Robinson

51. City of Boston

52. Tribune Broadcasting Company

53. CBS Inc.

54. NATPE International

55. Ohio Educational Broadcasting Network Commission

56. Motion Pictures Association of America, Inc.

57. Organization for the Protection and Advancement of Small Telephone Companies

58. Heritage Communications, Inc.

59. Grant Broadcasting System, Inc.

60. Spanish International Communications Corporation, Bahia de San Francisco Television Company, and The Seven Hills Television Company

61. National Telecommunications and Information Administration

62. California Cable Television Association

63. KTUH, Inc.

64. Ninety-Seven Television Stations

Appendix B

Part 76 of Title 47 of the Code of Federal Regulations is amended as follows:

1. The authority citation for Part 76 continues to read as follows:

AUTHORITY: 47 U.S.C. 154, 303, and 601.

2. Section 76.5 is amended by revising paragraphs (d) and (j) and adding new paragraphs (jj), (kk), (ll), and (mm) to read as follows:

§76.5 Definitions.

* * * * *

(d) *Qualified television station.* (1) Any television broadcast station, as defined in §76.5(b), that with respect to a particular cable system:

(i) Is licensed to a community whose reference point, as defined in §76.53, is within 50 miles of the principal headend of the cable system; and

(ii) If a commercial station, receives an average share of total viewing hours of at least 2 percent and a net weekly circulation of at least 5 percent, as defined in §76.5(k), in noncable households in the county served by the cable system or has been operational less than one full year. For purposes of this section, a station is considered operational as of the date it commences operation under program test authority. The viewing standards of this paragraph shall not apply for one full year from January 15, 1987 to otherwise qualified stations that commenced operation after July 19, 1985, but before January 15, 1987 (the effective date of these rules).

(2) Any noncommercial educational television station's translator with 100 watts or higher power serving the cable community.

* * * * *

(j) *Substantially duplicates.* Regularly duplicates the network programming of one or more stations in a week during the hours of 6 to 11 m., local time, for a total of 14 or more hours.

(jj) *Usable activated channels.* Channels engineered at the headend of the cable system for the provision of services generally available to residential subscribers of the cable system, regardless of whether such services actually are provided, including any channel designated for public, educational, or governmental use but excluding channels whose use for the distribution of broadcast signals would conflict with technical and safety regulations. *See* Part 76, Subpart K.

(kk) *Principal headend.* The location of the cable system equipment used to process the signals of television broadcast stations for redistribution to subscribers. Where more than one location meets the above definition, the cable operator shall designate a single location as the principal headend.

(ll) *Television survey season.* The twelve-month period beginning April 1 of one year and ending March 31 of the following year.

(mm) *Input selector switch.* Any device that enables a viewer to select between cable service and off-the-air television signals. Such a device may be more sophisticated than a mere two-sided switch, may utilize other cable interface equipment, and may be built into consumer television receivers.

3. Section 76.7, Special Relief, is amended by removing paragraph (g) and redesignating paragraph (h) as paragraph (g).

4. Section 76.53 is amended by revising the first sentence to read as follows:

§76.53 Reference points.

The following list of reference points shall be used to determine whether a television station is "qualified" pursuant to §76.5(d) and to identify the boundaries of the major and smaller television markets (defined in §76.5).

* * * * *

5. Section 76.55 is amended to read as follows:

§76.55 Qualified television station; method to be followed for showings.

A commercial television station shall demonstrate that it meets the viewing standard specified in §76.5(d)(1)(ii) on the basis of an independent professional survey of noncable homes conducted according to the following provisions:

(a) If the station has been operational, as defined in §76.5(d)(1)(ii), for at least one complete television survey season, the survey shall cover four separate, consecutive four-week periods, including one in each of the four quarters of the survey season (i.e., April-June, July-September, October-December, January-March), and be conducted pursuant to the methodology used to compile Appendix B of the *Memorandum Opinion and Order on Reconsideration of Cable Television Report and Order*, FCC 72-530, 36 FCC 2d 326 (1972).

(b) If the station has been operational, as defined in §76.5(d)(1)(ii), for less than one complete television survey season, the survey shall cover a single period of at least two weeks. The survey sample shall be proportionally distributed among the noncable homes in the county served by the cable system and shall be of sufficient size to assure

that the reported results are at least one standard error above the required viewing standard.

6. A new section 76.56 is added to read as follows:

§76.56 Mandatory carriage of television stations.

(a) A cable system shall carry the signals of qualified television stations in accordance with the following provisions:

Cable channels	TV signals	Cable channels	TV signals	Cable channels	TV signals
21 - 29	7	62 - 65	16	98 - 101	25
30 - 33	8	66 - 69	17	102 - 105	26
34 - 37	9	70 - 73	18	106 - 109	27
38 - 41	10	74 - 77	19	110 - 113	28
42 - 45	11	78 - 81	20	114 - 117	29
46 - 49	12	82 - 85	21	118 - 121	30
50 - 53	13	86 - 89	22	122 - 125	31
54 - 57	14	90 - 93	23	above 125	25 % of capacity
58 - 61	15	94 - 97	24		

(1) A cable system shall carry the signals of qualified noncommercial educational television stations or translators of such stations, as follows:

(i) A cable system with fewer than 54 usable activated channels shall carry the signal of one qualified noncommercial educational station or translator;

(ii) A cable system with 54 or more usable activated channels shall carry the signals of two qualified noncommercial educational stations or translators.

(2) A cable system with 21 or more usable activated channels shall carry the signals of qualified television stations as follows:

(b) Where the number of qualified television station signals exceeds the number that a cable system is required to carry pursuant to paragraph (a) of this section, the cable system may select which of the signals to carry, *except that* carriage of qualified noncommercial educational station signals pursuant to paragraph (a)(1) of this section is nondiscretionary.

(c) In complying with the provisions of this section, a cable system shall be permitted but shall not be required to carry the signal of any qualified television station that:

(1) Substantially duplicates the signal of another qualified television station affiliated with a particular commercial national network;

(2) Would result in payment by the cable system of distant signal copyright fees;

(3) Fails to deliver to the cable system principal headend a picture of high quality providing enjoyable viewing and in which interference is no greater than just perceptible.

Note: In general, a signal level of -45 dBm for UHF signals and -49 dBm for VHF signals at the input terminals of the signal processing equipment would be needed to provide a picture of the required quality. Alternatively, a baseband video signal could be supplied.

(d) A cable system shall not accept payment or other consideration in exchange for carriage of the signal of any qualified television station carried in fulfillment of mandatory signal carriage obligations, *except that* any such station may bear any costs associated with: (1) delivering a good quality signal, as defined in §76.56(c)(3), to the cable system; (2) meeting copyright obligations that are incurred as a consequence of such carriage.

(e) A cable system shall identify on request those stations carried in fulfillment of its must carry signal carriage obligations.

7. Section 76.57, Provisions for systems operating in communities located outside of all major and smaller television markets, is removed.

8. A new section 76.58 is added to read as follows:

§76.58 Disputes concerning carriage.

(a) Any qualified television station not being carried may demand carriage from a cable system.

(b) As a prerequisite to a Commission decision concerning a television station's right to carriage, such demand shall be made in writing and shall include showings that:

(1) The station is a "qualified television station" as defined in §76.5(d);

(2) The cable system on which carriage is sought has not satisfied its carriage obligations under §76.56;

(3) To the extent that the matter is in dispute, the station delivers a good quality signal to the principal headend of the cable system pursuant to §76.56(c)(3).

(c) A cable system receiving a demand for carriage pursuant to this section shall respond in writing to the television station requesting carriage within fifteen (15) days of receipt of such demand. If the system declines to carry the station, the system's response shall state the reasons under the rules for such refusal.

(d) If no carriage agreement is reached between the parties, a ruling on the matter may be requested from the Commission. Such request shall contain a copy of the carriage demand, the response thereto, and any other information that may be considered relevant to a resolution of the question.

Pleadings responsive to such request may be filed within twenty (20) days. Initial requests and pleadings relating thereto shall be served on all parties to the proceeding. All factual allegations shall be supported by affidavit of a person or persons with actual knowledge of the facts, and exhibits shall be verified by the person who prepares them. An original and two (2) copies of the request and subsequent pleading(s) shall be filed.

(e) No cable system that, in refusing a carriage request, has complied in good faith with the mandatory signal carriage requirements of this chapter shall be subject to any forfeiture or penalty if it is later determined that the requesting station is entitled to carriage. If the Commission determines that the signal in question was or is entitled to carriage, the system shall commence such carriage within a reasonable period, to be specified by the Commission, and shall continue such carriage for at least twelve months.

(f) A cable system may be assessed a forfeiture or other penalty for failure to comply with a Commission order to carry a qualified broadcast station. Such Commission orders include action by the Chief of the Mass Media Bureau under delegated authority.

9. Section 76.59, Provisions for smaller television markets, is removed.

10. A new section 76.60 is added to read as follows:

§76.60 Carriage of other television signals.

(a) In addition to the qualified television station(s) carried pursuant to §76.56, a cable system may carry the signals of any other television station, low power television station, or television translator.

(b) A cable system shall be permitted, but shall not be required, to carry any subscription television broadcast

program or any ancillary service transmission on the vertical blanking interval or the aural baseband of any television broadcast signal including, but not limited to, multichannel television sound and teletext.

11. Section 76.61, Provisions, for the major television markets, is removed.

12. A new Section 76.62 is added to read as follows:

§76.62 Manner of carriage.

(a) Where a qualified television broadcast signal is carried by a cable system in fulfillment of the mandatory signal obligations set forth in this part of the rules:

(1) the signal shall be carried in full, without deletion or alteration of any portion, except as required by this part;

(2) the signal shall be carried in its entirety, without material degradation, on the lowest-priced, separately available cable service tier.

(b) Where a television broadcast signal otherwise is carried by a cable system pursuant to the rules in this part, programs broadcast shall be carried in full, without alteration or deletion of any portion, except as required by this part.

13. Section 76.64 is revised to read as follows:

§76.64 Expiration of mandatory carriage provisions.

The provisions of §§76.56, 76.58, and 76.60, and 76.62(b) shall remain in force until January 15, 1992, and shall thereafter be of no further force or effect.

14. Section 76.65, Determination of signal contours, is removed.

15. A new Section 76.66 is added to read as follows:

§76.66 Input selector switches.

(a) A cable system operator shall supply to each new subscriber and offer to supply to each existing subscriber an input selector switch for each separate television receiver to which cable service is provided by the cable operator. The operator shall comply with the following requirements in providing the switch and installing cable service:

(1) Supply and install the switch at no additional cost to new subscribers, unless the subscriber already has an input selector switching device or his/her television has such a device built-in;

(2) Offer to supply the switch to any person who is a subscriber on January 15, 1987, within six months of that date and thereafter on an annual basis until January 15, 1992, at no cost other than reasonable labor charges for installation, if necessary or requested, by providing the following form, in the same words or in other words that convey the same meaning, to all such persons who do not have input selector switches:

In accordance with FCC rules, we are offering to supply you with an input selector switch, at no cost, for each separate television receiver To which cable service is provided. This device, which connects both to the cable service and an antenna you supply, will enable you to select between cable service and off-the-air television signals. You may already have such switching capability, either in a separate device or as a built in feature to your television receiver. If you already have this capability you do not need an additional switch. However, if you do not have such switching capability, we will install a switch for a reasonable charge that reflects our actual labor costs or we will provide you a switch with written self-installation instructions at no charge. If you wish to obtain an input

selector switch, please check the appropriate box below and return this form to our business office.

[ ] I wish to have an input selector switch installed. I understand that I will be charged reasonable labor costs for this service.

[ ] I wish to receive an input selector switch with installation instructions at no additional charge.

Please contact [NAME OF CONTACT AT CABLE SYSTEM OFFICE] at [ADDRESS AND TELEPHONE NUMBER] for further information.

(3) Comply with the following requirements with respect to antennas:

(i) If an antenna is present, the operator shall not recommend that the antenna be removed;

(ii) If an antenna is not present, the operator shall inform the subscriber that the switch will be operational only if it is connected to an antenna, which The subscriber may purchase from an antenna supplier;

(iii) Where the operator installs a switch and an antenna is present, it shall connect the switch to that existing antenna.

(b) Input selector switches used for alternating between a cable system and an antenna for reception of television broadcast signals shall comply with the technical standards of §15.606(a) of the rules.

(c) The cable system operator shall provide the following information, in the same words or in other words that convey the same meaning, to each new subscriber at the time of installation of cable service and to existing subscribers that do not have input selector switches in writing within six months after January 15, 1987, and annually thereafter to all subscribers:

The FCC in 1986 adopted new requirements concerning cable system carriage of local television broadcast stations.

Under these regulations, a cable system will be required to carry one or more local broadcast stations, but not necessarily all such stations, until January 15, 1992. After that date, carriage of local broadcast stations will be at the discretion of the cable operator. As a result, at this time or at a later date, you may not be able to receive all local television stations over your cable system. To ensure that you will retain the capability of receiving all of the broadcast stations that are available off-the-air, Which might not be carried on the cable system, either now or in the future, it may be necessary to use an input selector switching device in conjunction with an antenna. This device, which connects both to your cable service and your antenna, will enable you to select between cable service and off-the-air television signals.

At this time, [NAME OF CABLE SYSTEM] is not carrying the following local broadcast stations: [LIST CALL LETTERS AND CHANNELS]

Questions related to input selector switches should be directed to [NAME OF CONTACT AT CABLE SYSTEM OFFICE] at [TELEPHONE NUMBER].

SEPARATE STATEMENT
OF
COMMISSIONER JAMES B. QUELLO

Re: Amendment of Part 76 of the Commission's Rules Concerning Carriage of Television Broadcast Signals by Cable Systems (MM Docket No. 85-349)

The must-carry rules adopted by the Commission on August 7, 1986, are the very minimum that I can support. I continue to believe that only comprehensive must-carry rules can guarantee full protection to our system of over-the-air television broadcasting and the government's legitimate interest, pursuant to Sections 1 and 307(b) of the Communications Act, in fostering a system accountable to the public interest. Cable, once installed, is a geographic bottleneck[1] with, unlike broadcasting, little or no program accountability to any public or government authority. As I have stated on many occasions, the Commission should have appealed the *Quincy* decision.[2] The court of appeals,

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[1] The Commission's *Order* emphasizes that cable is misperceived as a "gatekeeper" because the Commission's policies made it unnecessary for subscribers to maintain alternative means for receiving off-the-air broadcast signals. I disagree with this simplistic evaluation of cable's power. In my opinion, even assuming that the A/B switch is a workable device, cable's ability to pick and choose which off-the-air stations to offer subscribers carries with it the power to affect a station's viewership and revenues, if not survivability. This power cannot be reduced so easily to a single-minded notion of consumer misperception.

[2] I fully agree with one of the observations of a well-known columnist:

* * * *

. . . In one of the least appearing judicial pronouncements since a federal judge destroyed the phone company, a three-judge panel of the U.S. Court of Appeals decided in July to strike down the So-called "must-carry" rules affecting cablecasters. The rules required cable systems to offer their subscribers all available TV stations in their service area.

This sometimes did lead to duplication of program choices (if, for in-

in my opinion, went far beyond the scope of review invested in the judiciary and, left unreviewed, created uncertainty and conflict both over the appropriate First Amendment standard to be applied to cable,[3] as well as the appropriate standard to be used when reviewing an agency's exercise of its policy-making function.[4]

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stance, there were two ABC affiliates or two public TV stations on the same cable system), but it also helped keep the system and the service locally accountable.

The Cable Complications, The Washington Post, Sept. 4, 1985 (Tom Shales).

[3] Our *Order* discusses in detail the constitutional controversy surrounding cable operators' First Amendment rights. As the *Order* points out, the Supreme Court has not addressed the question of whether cable is entitled to First Amendment Protection akin to that enjoyed by newspapers. And in the courts of appeals there is a considerable diversity of viewpoints on this subject. I hope the day will soon be here when all participants in video communications will enjoy full First Amendment rights. That day, however, has not yet arrived. So long as cable voluntarily enters the video market and heavily uses off-the-air broadcast signals as part of its public offering, it thereby submits itself to a regulatory scheme established by Congress for broadcasting. In other words, I still believe that the only court to have addressed specifically the constitutionality of our must-carry rules (prior to *Quincy*) correctly concluded:

> The Commission's effort to preserve local television by regulating CATVs has the same constitutional status under the First Amendment as regulation of the transmission of signals by the originating television stations. It is irrelevant to the Congressional power that the CATV systems do not themselves use the air waves in their distribution systems. The crucial consideration is that they do use radio signals and that they have a unique impact upon, and relationship with, the television broadcast service. Indiscriminate CATV development, feeding upon the broadcast service, is capable of destroying large parts of it. The public interest in preventing such a development is manifest.

Black Hills Video Corp. v FCC, 399 F.2d 65, 69 (8th Cir. 1968).

[4] The *Quincy* court, in faulting the Commission for having failed to develop an adequate factual basis to support its economic harm argument, imposed on this agency a standard of proof for rulemaking

Although still short of the mark, I voted to adopt the Commission's refashioned must-carry rule. It does seem to represent a sincere attempt to adopt a workable and reasonable compromise position. It provides carriage for the most popular stations as well as public broadcasting stations. And it takes into consideration the plight of newcomers. I still, however, find it necessary to issue this separate statement to express disagreement with some aspects of the *Report and Order* as well as to elaborate on

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that was, in my opinion, far in excess of that normally applied when a court reviews an agency performing its functions as a legislator. It is well recognized that in rulemaking "the factual component of The policy decision is not easily assessed in terms of an empirically verifiable condition," but rather involves issue in which "a month of experience will be worth a year of hearings." *Association of National Advertisers, Inc. v. FTC*, 627 F. 2d 1151, 1168 (1979) (quoting from *American Airlines, Inc. v. CAB*, 359 F.2d 624, 633 (D.C. Cir. 1966) (en banc)). See also *FCC v. National Citizens Committee*, 436 U.S. 1775, 813-14 (1978). Even if a stricter standard is to apply in cases where there are First Amendment implications requiring application of the *O'Brien* standard, the *Quincy* court appeared unwilling to give the Commission the benefit of any doubt. In another case, where the balancing of First Amendment rights were just as delicate and difficult as they were here, The Supreme court paid considerable attention to the agency's views:

> The judgment of the Legislative Branch cannot be ignored or undervalued simply because one segment of the broadcast constituency casts its claims under the umbrella of the First Amendment. That is not to say we "defer" to the judgment of the Congress and the Commission on a constitutional question, or that we would hesitate to invoke the Constitution should we determine that the Commission has not fulfilled its task with appropriate sensitivity to the interests in free expression. The point is, rather, that when we face a complex problem with many hard questions and few easy answers we do well to pay careful attention to how the other branches of Government have addressed the same problem. Thus, before confronting the specific legal issues in these cases, we turn to an examination of the legislative and administrative development of our broadcast system over the last half century.

CBS, Inc. v. DNC, 412 U.S. 94, 103 (1973). It seems to me that the court of appeals simply ignored the highest court's teachings, 106 S. Ct. 930, 931 (1986).

a substantial government interest that is not relied upon in our *Order* as well as to elaborate on a substantial government interest that is not relied upon in our *Order* as well as to elaborate on a substantial government interest that is not relied upon in our *Order* but which, in my view, is the single most significant reason why the new rules are, and the old rules were, constitutionally sound. I would also like to take this opportunity to state to state that if the plan we have adopted is not implemented in all significant respects, or whatever reason, I will be left with little choice but to urge that we reinstate our former must-carry rule, or, at a minimum, adopt a must-carry rule, without a sunset date, as urged in the industry compromise.

The most obvious shortcoming of our *Order* is that in justifying a must-carry rule, it does not rely on the substantial government interest in protecting the integrity of our Table of Assignments and ensuring public access to stations that have a statutory obligation to serve their local communities. In my view, both interests are substantial enough to justify a must-carry rule, without resort to any notion that broadcasters face economic ruin in the absence of as must-carry rule.

The Commission's *First Report and Order*, 38 F.C.C. 683 (1965) sought to protect all of the above interests. As we explained then:

> Persons unable to obtain CATV service, and those who cannot afford it or are unwilling to pay, are entirely dependent upon local or nearby stations for their television service.

The Commission's statutory obligation is to make television service available, so far as possible, to all people of the United States on a fair, efficient, and equitable basis (Sections 1 and 307(b) of the Communications Act). This obligation is not met by primary reliance on a service which, technically, cannot be made available to many peo-

ple and which, practically, will not be available to many others. *Id.* at 699.

* * * *

> Because it is inconsistent with the concept of CATV as a supplementary service, because we consider it an unreasonable restriction upon the local station's ability to compete, and because it is patently destructive of the goals we seek in allocating television channels to different areas and communities, we believe that a CATV system's failure to carry the signal of a local station is inherently contrary to the public interest. Only if we were persuaded that the overall impact of CATV competition upon broadcasting would be entirely negligible could we consider countenancing such a practice. *Id.* at 705.

That these are substantial government interests seems intuitive. While not easily susceptible to empirical proof, they are the types of policy decisions that independent agencies were specifically created to consider. See note 2, supra. And the Supreme Court apparently agreed with our justification for a must-carry rule when, in *Capital Cities Cable, Inc. v Crisp.* 104 S. Ct. 2694, 2708 (1984), it noted that our "comprehensive regulations . . . to govern signal carriage . . . reflect an important and substantial federal interest."

The record before us again contains strong support for the notion that maintaining the integrity of our general spectrum allocation scheme and our longstanding statutory obligation to promote localism justify a must-carry rule.[5]

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[5] See e.g. Comments of the *Association of Independent Television Stations, Inc.; Television Operators Caucus; Inc.; National Broadcasting Company; and National Association of Broadcasters.* See also Reply Comments of *National Cable Television Association* which, in justifying the industry proposed compromise, stated that the compromise tries to

That the Commission chose not to emphasize this substantial government interest justification is disheartening to say the least. I in no way mean to suggest that our principal rationale is not sufficient to support our rule. It should be more than adequate. On the other hand, we have consistently emphasized a licensee's local nonentertainment programming obligation in our radio and television deregulation orders. *Radio Deregulation*, 98 F.C.C.2d 968, 977 (1981); *TV Deregulation*, 98 F.C.C.2d 1076, 1091-92 (1984), reconsideration denied, F.C.C.2d (1986), appeal appending, *Action for Children's Television v FCC*, No. 86-1425 (D.C. Cir., filed July 23, 1986). This is an obligation which, in the past, we apparently regarded as arising from 307(b) of the Act. *Pinellas Broadcasting Company v. FCC*, 230 F.2d 204, 207, *cert denied*, 76 S. Ct. 650 (1956). And while the Commission may have subtly attempted to recast the obligation as solely within our discretion, the court of appeals went out of its way to note that the public interest standard imposes statutory nonentertainment programming obligations on licensees. *UCC v FCC*, 707 F.2d 1413, 1429, n. 46 (1983). Having made localism the cornerstone of our deregulatory policy, it simply makes no sense not to cite this as the most persuasive justification for adopting a must-carry rule. Our *Order* deserved much more than simply passing reference to this singularly most significant government interest.

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ensure "that there will continue to be available to the public a reasonable quantum of free television service." Reply comments at p. 3. But most trenchant is the comment of the Honorable John C. Danforth, Chairman, Committee on Commerce, Science and Transportation, in his letter to Chairman Mark S. Fowler on July 22, 1986, at page 4:

If the Commission acquiesces to circumstances that bestow gatekeeper status upon cable systems, this will conflict with three longstanding, substantial government interest—the public's First Amendment right of access to diverse sources of information, the preservation of vigorous competition among communications services, and the Commission's statutory obligation to promote as nationwide broadcasting service built upon local outlets.

I must also make some remark about our heavy reliance on the A/B switch. When I dissented from the Commission's refusal to appeal the *Quincy* decision, I expressed considerable skepticism that the A/B switch could realistically be relied upon to maintain access to off-the-air television in homes wired to a cable system. I re-emphasized that concern to my colleagues in July, pointing out that it was doubtful cable subscribers would maintain an antenna system solely to view the local stations a cable system chose not to carry. And commenters also voiced grave reservations about the utility of the A/B switch.[6] Nevertheless, I decided that a proposal requiring that the public be educated on the need for an A/B switch, coupled with a requirement that cable systems provide subscribers with an A/B switch, was worth trying. At a minimum, it has the potential of providing future empirical data on the marketplace feasibility of the switch. At the same time, it has been impossible not to take note of the criticism of our decision already reported by the press. While these views will not be considered by the Commission in issuing the *Order* it adopted on August 7, I want to forecast my intent to reconsider my vote should parties present persuasive arguments, on reconsideration, that the A/B switch, or something functionally equivalent, will not work. If an A/B switch will not work, then, until we can find an alternative means for ensuring the public's access to their local television stations, a permanent, comprehensive must-carry rule would be appropriate.

I want to make absolutely clear that I will use my best efforts to block any sunset of our must-carry rule should we have credible evidence that our program or assumptions underlying the program are in error. In addition, the comments we receive in response to the inquiries we will

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[6] See e.g., Comments of the *National Association of Broadcasters*, June 1986; Letter to Commissioner James H. Quello from Preston Padden, June 19, 1986.

initiate concerning the compulsory license scheme, telco entry, and syndicated and network program exclusivity, will be highly relevant to my decision whether to permit sunset of our rules. In 1984, I dissented to the Commission's refusal to initiate an NOI to examine changes in the marketplace since elimination of the syndicated program exclusivity rule. I believed then, as I do now, that this Commission must consider the effect of its actions in conjunction with Congress and the Copyright Royalty Tribunal. Our's is a broad, not narrows, mandate to regulate broadcasting, and we cannot fulfill that responsibility in a vacuum. *In the Matter of Cable Television Syndicated Program Exclusivity and Carriage of Sports Telecasts,* 56 RR 2d 625, 633 91984).[7]

As a last issue of major significance, I express considerable regret that I could not convince the Commission to do more for public broadcasting. Public broadcasting, although specially acknowledged in the Commission's plan, is certainly losing much of the coverage one might expect for a service chartered by Congress which continues significant funding. The diversity of views contemplated by Congress and supported through the years by this Commission can only be diminished under this plan which relegates to one video transmission pipeline a gatekeeping power over all video services that are licensed to serve the public interest in the area. While some may view elimination of must-carry requirements as a triumph of the marketplace, I view it as an unbalanced skewing of the marketplace to favor one participant over another. And, public broadcasting—created specifically to stand outside of the marketplace and offer alternative educational and

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[7] I disagree with the *Quincy* court's apparent conclusion that there is no connection between the compulsory license scheme and the Commission's must-carry rules. *Quincy,* 1768 F.2d at 1454, in. 42. See also, Comments of the *National Telecommunications and Information Administration* at p. 18, n. 30; Comments of *Association of Independent Television Stations, Inc.*

cultural television fare—stands to lose carriage of many of its stations.

In sum, I regret that we have not adopted broader must-carry rules; the experimental course we have chosen seems still inadequate to redress the critical marketplace imbalances fostered by the *Quincy* decision. Nevertheless, our action today provides a much needed transition study period of partial must-carry with ample latitude for cable to exercise First Amendment judgments. I fervently hope that our system of *free* television broadcasting, which serves virtually all of the nation, is not seriously impaired by a misguided effort to preserve alleged First Amendment right of a monopoly program distribution *pay* service that serves less than half of our citizens.

STATEMENT OF COMMISSIONER MIMI WEYFORTH DAWSON

Re: *Report and Order in MM Docket No. 85-349*

I fully subscribe to the *Report and Order's* finding that the advent of a burgeoning nonbroadcast video programming industry warrants a fundamental redefinition of the federal interest we seek to further through cable television regulation. In adopting the 1984 Cable Act Congress specifically recognized the tremendous contribution to program diversity that satellite-delivered nonbroadcast services have provided.[1] This same recognition is evinced in the *Report and Order*, and constitutes a definitive and welcome affirmation of the proposition that this Commission also has a mandate to make satellite-delivered programming available to the American people that is, in my view, of no less importance than the mandate for broadcast television embodied in Section 307(b) of the Act.

Creating a competitive balance between terrestrial broadcasting and satellite-delivered nonbroadcast programming for purposes of cable carriage is significant,m but in my view it constitutes only a modest first step towards remedying the disequilibrium that results from current federal policies that may give cable television an unwarranted competitive edge in the program delivery market and to skew the program diversity that might otherwise develop in a totally free market.

There are several policies accountable for this remaining disequilibrium. There is, for example, the compulsory copyright license that cable enjoys for retransmission of distant broadcast signals.[2] The compulsory license precludes broadcasters and other program producers from negotiating and selling the rights to their own product, instead

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[1] H. Rept. 98-934, 98th Cong. 2d Sess. 1984, at 21.

[2] Copyright Revision Act of 1976, 17 U.S.C. Sec. 1 *et seq.*

allowing cable systems to take broadcast product for what appears to be a fraction of its real value on the open market. By thus allowing cable to fill channels cheaply with existing broadcast programming the compulsory license may inhibit the increased production of new cablecast and broadcast programming, thereby resulting in an overall diminution in the amount of program diversity that might otherwise be achievable. As a majority of the Commission stated at the time of the *Quincy* decision, "the mass media marketplace will not be set entirely right until cabled's copyright immunity is replaced with a scheme of full copyright liability, allowing unimpeded negotiations between the parties."[3] It follows that program diversity will not be truly maximized unless and until the current compulsory copyright license is reexamined.[4]

Exacerbating the negative effects of the compulsory license is the absence of distant signal carriage restrictions and syndicated program exclusivity rules, deleted by the Commission in 1980.[5] In particular the syndicated program exclusivity rule was intended to function as a copyright surrogate.[6] There has been considerable debate over the extent to which the legislative history of the Copyright Revision Act evinced an intent that these rules not be

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[3] *Statement of Chairman Fowler and Commissioners Dawson and Patrick re Appeal of Quincy Cable TV, Inc. v. FCC*, August 2, 1985.

[4] See generally *Cable Retransmission of Broadcast Television Programs Following Elimination of the "Must - Carry" Rules*, a report issued by the Office of Policy Analysis and Development, National Telecommunications and Information Administration (NTIA), U.S. Department of Commerce, 1985.

[5] *Report and Order in Docket Nos. 20988 and 21284*, 79 FCC 2d 663 (1980), *aff'd sub nom. Malrite TV of New York v. FCC*, 652, F. 2d 1140 (2d Cir. 1981).

[6] *See e.g., Report in Docket No. 20988*, 71 FCC 2d 951, 962, 976-77 (1979); *Report and Order in Docket Nos. 20988 and 21284, supra n. 5*, at 748.

abolished by the Commission.[7] It appears that the Congress, and thus the Copyright Revision Act, may have anticipated that the Commission might fine-tune these rules but not jettison them altogether.[8] This possibility calls for us to carefully reexamine the effect of the rules' deletion on the operation of the Copyright Revision Act.[9]

The practice of granting monopoly franchises to cable system operators is another government policy that not only unbalances competition but also raises serious First Amendment concerns. As recognized—indeed, acquiesced in[10]—by the Commission, [c]able television service has tended to develop on a noncompetitive, monopolistic basis in the areas served. The normal protection afforded consumers by providing a choice between alternative suppliers has not, in most instances, been available to cable television subscribers.[11]

Exacerbating the monopoly franchise problem is the proscription against local exchange carriers' "provid[ing] video programming directly to subscribers in [their] own

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[7] *See, e.g., Cable Copyright Liability: Alternatives to the Compulsory License*, by Mark M. Bykowsky et al., NTIA, U.S. Department of Commerce, 1982, 21-27.

[8] *Id.* at 27.

[9] Another way of approaching this issue would be to reexamine whether readoption of either or both the syndicated exclusivity rules and some form of distant signal carriage restriction might perhaps be warranted. I would certainly be open to this approach and took forward with particular interest to reviewing the relevant legal and factual analyses that may be presented in this context.

[10] In adopting its comprehensive regulatory program for cable television in 1972, The Commission elected to retain the current system of locally granted monopoly franchises. *Cable Television Report and Order*, 36 FCC 2d 143, 207-08 (1972).

[11] *Amendment of Part 74 of the Commission's Rules*, 15 FCC 2d 417, 425 (1968).

service area[s]."[12] I would hope that the Commission will now move with dispatch in releasing he inquiries into these subjects as outlined at Paragraph 213 of the *Report and Order*.

The effect of these governmentally created or condoned policies may well be to artificially restrict competition between cable systems and broadcast stations—indeed? between cable systems and anyone else. In this sense, government policy has helped to create the potential for cable to "bottleneck" reception of off-air and satellite programing. Depending on several factors, including the number of available off-air signals and the consumer's ability to receive video programming adequately without cable television service, the cable bottleneck can cross the line from potential to real.[13]

I support the adoption of the interim must-carry rules because they afford the cable operator greater programming discretion without causing enormous dislocations in the current environment. However, in light of what I view as the *Quincy* court's clear instruction,[14] my preferred

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[12] This proscription is contained in Section 613(b)(1) of the 1984 Cable Act, and reflects the same cross-ownership restriction appearing in the Commission's Rules. Local television station licensees are likewise precluded under the Cable Act from owning cable systems within their stations' Grade B contours, 47 U.S.C. Section 613(a).

[13] Indeed, the possibility that unrestricted multiple ownership system ownership may measurably enhance cable's bottleneck aspect has prompted the Commission to specifically examine the issue in Gen. Docket No. 86-836.

[14] The *Quincy* opinion seems quite explicit on this point. "The Commission must make some effort to move beyond the amorphous in defining the interest served by the must-carry rules." Id. at 1461. Moreover, on the need for any must-carry rule to be tailored so as to assure the achievement of our articulated goal, the court was equally specific: "[I]n the administrative context O'Brien's substantial interest test 'translates . . . into a record that convincingly shows a problem to exist' . . . in the context of this case the question becomes whether the

course of action would have been to institute proceedings patterned after those conducted in the *Economic Inquiry*[15] right now.

I believe the information we need to conduct the necessary factual analyses and econometric studies is largely either available or readily obtainable. Having factual knowledge in a timely fashion would at least have the benefit of producing in concrete form a showing of whether any must-carry rules at all are warranted and, if so, where and to what extent. Admittedly, this approach is not perfect, but it would appear preferable to delaying rulemaking proceedings of any kind for several years.

I would perhaps be more inclined to defer ultimate rulemaking if I had more confidence that the input selector (A/B) switch and consumer education program we adopt today would ultimately solve the must-carry problem satisfactorily. Unlike my colleagues, however, I am not convinced that the regulations the Commission has adopted today will achieve what they are intended to achieve; in fact, I believe they will have quite the opposite effect. For in the guise of deregulating cable television, I fear the Commission will only have succeeded in re-regulating the cable industry.

It is difficult to recall when in recent history this Commission has imposed a set of conduct-regulating rules so overbearingly specific in nature. Thus, for example, the rules state that The system operator "shall" supply to each new subscriber an A/B switch. Existing subscribers are

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Commission has adequately proven that without the protection afforded by the must-carry rules the economic health of local broadcast television is threatened by cable." Id. at 1454-55, citation omitted.

[15] *E.g., Inquiry into the Economic Relationships Between Television Broadcasting and Cable Television*, 65 FCC 2d 9 (1977); *Economic Inquiry Report*, 71 FCC 2d 632 (1979); *Report in Docket No. 20988, supra; Notice of Proposed Rulemaking*, 71 FCC 2d 1004 (1979), *Report and Order in Docket Nos. 20988 and 21284, supra.*

treated only a little less heavy-handedly, depending on your perspective. Although they are allowed to decline the initial switch offer, the rules specify that they must be re-offered switches, in writing, once a year, every year, until either they give in or the interim rules expire, whichever occurs first. The rules also provide a text for the annual switch offer, complete with boxes to check indicating whether the subscriber wishes the switch installed or wants to install it himself. Finally, once a year, every subscriber has to be advised in writing that in 1986 the Commission changed the must carry rules; that not all local signals, or ultimately *any* local signals, may have to be carried; that the subscriber needs a switch; that the subscriber may need an antenna; what the switch is and how it works; and any local signals that are not currently carried.

The rules we adopt go into excruciating detail on consumer's rights. To label these insistent consumer advisories "cable *Mirfanda* warnings" does not do them justice: a closer analogy would be the traditional *Miranda* warning coupled with an informative lecture on the American criminal justice system. And although I would support regulations aimed simply at *encouraging* subscribers to use switches, this anachronistic throwback to the days of regulatory micromanagment casts much too large a federal shadow for me to accept.[16]

Remarkably, despite the detail of the regulations which we adopt, the rules may also create a good deal of uncertainty regarding cable systems' responsibilities. For example, although the rules prescribe in detail how and when switches shall be offered, they fail to provide any exemp-

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[16] Even at their regulatory zenith, the 1972 cable television rules never required cable system operators to explain to subscribers annually or any other way why, for example, the syndicated program exclusivity rules required the deletion of certain programs on certain stations, or why the sports exclusivity rules sometimes require that games on distant stations be blacked out.

tion for those systems serving areas where, due to terrain or other factors, no off-air service is available in the first place. Similarly, although the rules prescribe that switches have to meet the technical standards of Section 15.606(a) of the Rules to prevent harmful signal leakage, they provide no clue as to how the system operator is expected to definitively assure that subscriber-installed switches do not leak due to defective installation or subsequent adjustment. Nor do they indicate whether the operator is responsible for post-installation repair and similar service calls and if so under what circumstances. Finally, and most critically, although the rules recognize the critical importance of antennas in making receivable the off-air signals that the switch makes available, the *Report and Order* glides glibly, and in my view inaccurately, over the conceded nonprevalence of outdoor antennas and its likely impact on the success of the switch program.

In sum, I fear that these rules may give cable systems and consumers elements that are the worst of both worlds. On the one hand, the conduct of the system operator is micromanaged and the discretion of the cable subscriber is substantially restricted; on the other hand, the Commission has left substantial room for interpretation and reinterpretation. I sincerely hope that interested parties will not argue on reconsideration that, having required switches, we must now also move on to a federal program to provide outdoor antennas. That, to me, captures the problem with new Section 76.66: it almost inevitably results not in a satisfactory solution to the problem at hand, but rather in spawning a series of seemingly endless reinterpretations, clarifications, waivers, and the like. I short, micromanagement usually begets yet more micromanagement.

I am terribly concerned that the only thing the Commission will have done by its action today is to create tremendous confusion, uncertainty and costs for cable operators, cable subscribers, and broadcasters, and that this

unintended creation will drag us inexorably even further down a micromanagement path we have in virtually all other contexts heretofore declined to travel. Nor is this result simply a matter of philosophical handwringing. Far from it. For the total costs of implementing the input selector switch and consumer education program, including the costs to consumers of purchasing antennas, is estimated to cost from $483 million to over $1.6 billion. This would be an absolutely staggering burden to impose for any reason. In the context of this case, however, it would be imposed notwithstanding the program's substantial shortcomings and, perhaps worst of all, without even having first conducted proceedings designed to show whether or under what circumstances *any* prophylactic rules assuring cable subscribers' access to local broadcast programming are even warranted. The cable industry and, ultimately, cable consumers should not be asked to pay for what may in large measure be a nonsolution to a nonproblem.[17] I am simply not yet convinced that the "misperception" problem is the consumer's rather than the Commission's, or that we have a workable way of solving it.

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[17] In this regard I would also note that the costs of implementing this program would be passed along to subscribers shortly after basic subscriber rates are deregulated on January 1, 1987.

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

FCC 87-105
37021

In the Matter of	)	
	)	
Amendment of Part 76 of the	)	MM Docket
Commision's Rules Concerning	)	No. 85-349
Carriage of Television Broadcast	)	
Signals by Cable Television Systems	)	

MEMORANDUM OPINION AND ORDER

Adopted: March 26, 1987 Released: May 1, 1987

By the Commission: Commissioner Quello concurring in part and dissenting in part and issuing a statement.

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INTRODUCTION

1. Before the Commission are thirty Petitions for Reconsideration of its *Report and Order* in the above-captioned proceeding (*Report and Order*), adopted August 7, 1986, 1 FCC Rcd 864 (1986).[1] These petitions seek reconsideration of our policy decisions in the following broad categories: 1) the basic decision to implement a two-part regulatory program consisting of input selector switch and interim mandatory signal carriage requirements; 2) the technical standards for input selector switches; 3) the consumer education requirements; and, 4) The specific provisions of the interim must carry rules.

2. Upon consideration of these petitions, we continue to believe that the basic approach of input selector switch and interim must carry requirements is the most appropriate means for resolving the must carry matter. However, we recognize petitioners' arguments that the rules adopted in the *Report and Order* would impose substantial costs on cable operators and would in some cases require switches to be provided in areas with no available off-the-air signals. On further contemplation of this matter, we also are concerned that the input selector switch rules, as adopted, might reduce the flexibility of both cable operators and consumers with respect to the choice of switches that would be most suitable for individual needs or preferences. Accordingly, we are modifying the input selector switch and the associated consumer education requirements to reduce their burden on cable operators and to provide both cable operators and their subscribers with more discretion in the choice of switch options. We also

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[1] Eight parties submitted responses either supporting or opposing the petitions for reconsideration, and nine parties filed replies to the responses. Appendix A provides a complete list of the parties filing petitions, responses/oppositions and replies concerning any aspect of the *Report and Order* or the issues raised in the requests for reconsideration.

are modifying certain provisions of the interim must carry rules to improve their effectiveness in achieving our objective in the least intrusive manner.

3. *Overview of the Must Carry Decision.* In the *Report and Order,* we determined that the federal interest in the must carry matter is to maximize the video program choices available to consumers. We observed that the federal interest in ensuring access to the maximum program choices includes ensuring access to the service of noncommercial educational television stations. We also recognized that any regulations we may consider in furtherance of our goal to maximize the availability of program choices by competing providers of video services, both off-the-air and on cable, must be weighed in terms of their impact on cable operators' and programmers' First Amendment rights.

4. With respect to the need for regulation, we stated that "because cable subscribers have not perceived the need to maintain or install antennas and input selector switches, their access to off-the-air broadcast signals is limited to those carried by the cable system to which they subscribe."[2] This perception derives not from any inherent characteristic of cable service, but rather from cable subscribers' current expectation that broadcast signals will always be available as part of their cable service. We further found that this expectation is a direct result of the former must carry rules, which required cable systems to carry all available off-the-air television signal. We observed that this expectation has caused many subscribers to believe that there is no need to install or maintain the capability to receive broadcast signals off-the-air. When consumers subscribe to cable service, they tend to disconnect, and in most cases dismantle, their antennas. We concluded that because of this misperception, many cable

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[2] *Report and Order, supra* at 881.

subscribers do not have independent off-the-air reception capability and, thus, ar not able to view available off-the-air broadcast signals not carried by their cable systems. In this regard, we found that there is ample evidence that cable penetration nationwide has reached a level where there is potential for this problem to affect a substantial portion of the population.

5. We determined that the misperception resulting in consumers' current practices respecting connection of their television sets to cable service is inimical to the public interest. In this regard, it tends to frustrate our federal objectives of maximizing program choices and promoting a fair and open competitive market environment that will produce programming that meets viewers' interests and preferences. Thus, we concluded that regulation is necessary to correct the undesired effects of our former must carry rules. We further concluded that this regulation must be designed to give viewers the capability to preserve and reestablish their independent access to the available off-the-air program choices in a manner that is least intrusive on the First Amendment rights of cable operators and programmers.

6. In view of the above, we determined that the most appropriate course of action to achieve our federal objective, while keeping First Amendment intrusions to a minimum, is to adopt a plan that will make cable subscribers aware of the need for the capability to access broadcast signals directly off-the-air and will actively assist the development of such capability. We stated that such an approach is consistent with our general belief that market mechanisms are the preferred method for ensuring that the interests of consumers are satisfied. To implement this course of action, we adopted a two-part regulatory program which is designed first to alter existing practices and knowledge with respect to connection of cable service that can render cable subscribers unable to receive broadcast television service and, second, to provide interim must

carry relief t the broadcast television industry during the transition to the new environment in which the connection of cable service would no longer have that effect.

7. Under the first part of our new regulatory program, cable systems are required to provide their subscribers with input selector switches that will enable reception of broadcast signals by means of an antenna. In addition, cable systems are required to implement a consumer education program to inform their subscribers of the purpose of, and need for, maintaining off-the-air reception capability. The second part of our program consists of interim must carry rules that will expire five years from their effective date.[3]

RECONSIDERATION OF THE BASIC POLICY DECISION

Summary of Petitions

8. Several parties request that we reconsider our basic policy decision to resolve the must carry matter through the two-part regulatory program adopted in the *Report and Order*. These parties submit varying arguments claiming that this program does not adequately ensure the preservation of the public interest with respect to the availability of broadcast television signals to cable subscribers or that it violates constitutional and/or statutory provisions, and they offer alternative plans intended to rectify its alleged deficiencies. Below is a summary of each of these requests for reconsideration of the general approach of our basic policy decision.

9. The National Cable Television Association (NCTA), the Community Antenna Television Association (CATA),

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[3] On December 24, 1986, we issued an *Order* staying the effective date of the new rules. In the *Order*, we also indicated that this stay would remain in effect until 30 days after the release of the instant *Memorandum Opinion and Order* addressing petitions for reconsideration filed in this proceeding. *See Order*, released December 24, 1986, FCC 86-575.

and the National Association of Broadcasters (NAB) [Joint Petitioners] filed a joint petition contending that the input selector switch rules are unworkable and contrary to the public interest. Their request for reconsideration is supported by Tele-Communications, Inc., TKR Cable Company, and TCI-Taft Cablevision Associates in a separately filed joint petition. Joint Petitioners argue that the input selector switch requirements will not provide an effective means of ensuring that cable subscribers have access to off-the-air television signals. They submit that any benefits of the input selector switch approach will be more than offset by increased costs and technical problems. Joint Petitioners also argue that the Commission made its decision in a vacuum since it did not put forward its specific regulatory approach for public comment. They include with their petition a report prepared by the NCTA Engineering Committee that addresses the costs and technical considerations associated with input selector switches intended for use with cable service.

10. Joint Petitioners argue that the implementation of the input selector switch requirements would be prohibitively expensive. In this respect, they observe that the NCTA report indicates that the cost of the switches and associated hardware alone would be nearly $1.4 billion. They further state that the additional costs of antennas and labor to install the switches would increase the total expenditures necessary to comply with the new rules by billions of dollars. NCTA estimates that, purchased in quantity, the price of individual switches will be between $2.50 and $4.50, and the cost of necessary connecting hardware for each switch will be $1.75. They conclude that the per subscriber equipment cost will be a minimum of $5.00 and that in complex installations (with VCR's) the cost will be $10.00 per subscriber. On an industry-wide basis, NCTA estimates that the initial capital costs of complying with the switch requirements will exceed $860 million during the next five years. They also estimate that

the cost of replacing switches that malfunction will cost an additional $540 million.

11. Joint Petitioners cite three "serious technical problems" which they feel will arise from the input selector switch rule. First, they contend that significant signal leakage will occur. Citing the NCTA study, they claim that "in many cases" switches sent to subscribers for self-installation will be connected incorrectly. As a result, cable signals will be radiated over the subscriber's antenna at high gain, threatening harmful interference with other services, including those serving commercial aviation. Second, they state that signal quality degradation will result due to poor isolation between the A and B sides of switches.[4] Finally, they maintain that the use of input selector switches would render ineffective certain unspecified features of subscribers' TVs, VCRs, and cable converters, and would make it more difficult to connect peripheral equipment such as video games, computers and stereo decoders. The NCTA study contends that, while the Commission noted in the *Report and Order* that these problems can be overcome by minor equipment modifications and by the increase in sets with built-in switches, the development of a readily available solution does not appear imminent. NCTA declares that, currently, technologies used in electronic switching devices are not practically transferable to stand alone devices and that it will be years before an

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[4] Isolation is the ability of the "A" input side of the switch to discriminate and resist incursion of signals from the "B"' input side, and visa versa. According to NCTA, poor isolation makes it impossible to watch programming from one of the two sources without noticeable interference from the other. Joint Petitioners contend that an input selector switch used for selecting between broadcast and cable service must provide at least 90 dB of isolation to protect against signal degradation. They claim that such switches are more expensive than switches offering lower isolation that are suitable for use in conjunction with computers and other peripheral video devices. Joint Petitioners also state that isolation levels deteriorate rapidly after switches are placed in service.

appreciable number of TV sets with built-in switches are on the market. NCTA admits that built-in electronic switches do not suffer from the interference, degradation, short lifespan, and other problems of mechanical input selector switches.[5] By that time, NCTA observes, a great amount of technically deficient switches will be in home use.

12. Finally, Joint Petitioners contend that compliance with the input selector switch rules will not provide any appreciable public benefits. They argue that most of the switches will not be used for reasons that include inconvenience to the subscriber and subscriber lack of an antenna capable of providing adequate off-the-air reception. Joint Petitioners also claim that cable subscribers will have no need to use a switch because the interim must carry rules will essentially mandate cable carriage of VHF stations that could be received off-the-air and the capability to receive UHF signals off-the air is not affected by the installation of cable service.[6] They contend that as a result of all of the above considerations, input selector switches installed in the interim period will be merely "standby" devices.

13. Joint Petitioners state that the problems with our approach can be overcome by the adoption of a set of continuing signal carriage requirements and elimination of the input selector switch rules. They submit that the simplest and most direct means of ensuring that cable subscribers have continuing access to broadcast programming would be to eliminate the sunset provision to the signal carriage requirements adopted in the *Report and Order*.[7] They state that the limited signal carriage rules we adopted

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[5] *See* Petition by Joint Petitioners, NCTA study, p. 14, n. 6.

[6] Joint Petitioners state that on many receivers, connection of cable service does not disable the receiver's UHF antenna terminals.

[7] *See* 47 CFR §76.64.

represent an appropriate basis for ongoing signal carriage requirements.

14. In the event we are unwilling to accept their principal proposal, Joint Petitioners recommend an alternative approach that would allow cable operators to choose between input selector switches and signal carriage regulation. Under this plan, cable systems would be subject to signal carriage regulation for five years. At the end of this period, or any time thereafter, a cable system would be permitted to elect not to carry all signals required by the must carry rules, but only if it had been installing input selector switches and providing related information to all new subscribers and offering switches to existing subscribers for the previous five years. In addition, a system exercising this option would be required to continue to provide switches and related information to all new subscribers for as long as it seeks to be exempted from signal carriage regulation.

15. Joint Petitioners state that this elective approach differs from the rules adopted in the *Report and Order* in a way that further enhances the discretion of cable operators by giving them the opportunity to determine the time and circumstances in which initiation of the input selector switch and information requirements will best serve the needs of their subscribers. They further submit that under this plan, the direct and indirect costs to the public are likely to be significantly less than those of mandatory switch rules, and that the technical difficulties associated with currently available switches also would be avoided or reduced.

16. Adelphia Communications Corporation, filing jointly with eighteen other cable interests (Adelphia), also requests reconsideration of the input selector switch requirements. Adelphia argues that these rules are unconstitutional for three reasons. First, it claims that,

using the standard articulated in *U.S. v. O'Brien*,[8] the Commission has failed to demonstrate that the new rules further a substantial federal interest. Adelphia states that the Commission offers little evidence to demonstrate the existence of the alleged problems which would justify the need for further must carry regulation and no evidence at all to support the conclusion that the use of input selector switches will further the asserted governmental interest of maximizing consumer choice. Second, Adelphia submits that the Commission has failed to demonstrate that the new interim rules are the least burdensome alternative available to achieve any substantial federal interest. Adelphia states that a consumer education program alone, without the input selector switch, would be sufficient to achieve the Commission's asserted regulatory goals, and that the Commission has failed to show otherwise. Finally, Adelphia argues that the input selector switch requirements are overbroad for three reasons: 1) they fail to provide an exemption in cases where the input selector switch would serve no purpose (for example, in situations where all local VHF broadcast stations are carried on a local cable system or where no local VHF signals are receivable off-the-air in the cable system area); 2) they should not be applied to new subscribers, since only previously existing subscribers would suffer from the misperception that local broadcast signals cannot still be received through external antennas; and, 3) input selector switches should not be mandatory, but rather optional.

17. Adelphia further contends that the input selector switch requirement violates several provisions of the Cable Communications Policy Act of 1984 (Title VI of the Communications Act). Adelphia claims that the economic burden imposed upon cable operators by the input selector switch rule and the Commission's prevention of cable op-

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[8] 391 U.S. 367, 377 (1986). For further discussion of this constitutional standard, *see infra* at paragraph 63, n. 19.

erators from itemizing the cost of providing an A/B switch on its subscriber billings contravenes national cable communications policy: 1) by ignoring statutory recognition in Section 622 of the Cable Act of the right of cable operators to pass on the costs of regulation to subscribers; 2) by constituting a form of rate regulation prohibited under Section 623 of the Act; and, 3) by imposing a new requirement regarding the content of cable services prohibited by Section 624 of the Act.

18. Like the Joint Petitioners, Adelphia contends that numerous technical problems could result from imposition of the input selector switch rule established in the *Report and Order*. Adelphia states that signal degradation will result because few input selector switches will provide adequate isolation of off-the-air and cable signals, and because the life expectancy of input selector switches is uncertain. Further, Adelphia argues that the use of an input selector switch threatens signal leakage if it is improperly or insecurely installed or if loose fittings occur, thereby forcing unnecessary and expensive service calls. Adelphia notes that at present it is unclear who would ultimately bear the financial burden for those calls, the cable operator or the consumer. Further, it states that other problems associated with so-called "addressable converters" could occur, such as interruption of information flow and automatic disabling of the system. Adelphia also contends that input selector switches present a problem in channel tuning, in that when a cable subscriber switches to off-the-air reception, reception may not be fine-tuned. Moreover, it believes that the complex installation of these switches will increase subscriber confusion and frustration. Finally, Adelphia states that input selector switches will be useless to those subscribers who do not have off-the-air antennas.

19. Turner Broadcasting System, Inc. (TBS), Century Communications Corp., filing jointly with sixteen other cable interests (Century), and the California Cable Television

Association (CCTA) request reconsideration of the interim must carry rules on the grounds they unconstitutionally intrude on the First Amendment rights of cable operators, programmers and subscribers.

20. TBS argues that the interim must carry rules are a prior restraint on constitutionally protected speech in that they preclude cable operators' programming selections, compel certain substitutions, and impose severe sanctions for refusals to comply. Thus, it states that there is a heavy presumption against their constitutional validity and that a standard of review more stringent than the *O'Brien* standard should apply. TBS further argues that the new rules are unconstitutional even under the more lenient *O'Brien* standard. It states that the Commission failed to demonstrate that maximizing viewer choices is a substantial governmental interest that would be harmed in the absence of must carry rules. In this regard, TBS criticizes the Commission for adopting interim must carry rules despite its findings that cable systems have continued to carry local stations since the former must carry rules were invalidated and that viewer choice is increased where cable systems do not carry local stations. In addition, it states that the Commission failed to adequately investigate the market situation with respect to the use and availability of built-in and outdoor antennas and takes the position that the Commission is obligated to show that a six month consumer education program is insufficient to rectify any existing problem of subscriber awareness of the need for alternative reception capabilities.

21. TBS further states that the interim must carry rules are not narrowly tailored to meet the purported need. In this regard, it specifically criticizes the exemption of smaller cable systems from must carry obligations, the 25 percent channel capacity cap, the five year term of the interim must carry rules, the requirement that cable systems carry duplicating noncommercial stations, the viewing standard and the requirement that must carry signals be

carried on the lowest-priced separately available tier of service. TBS thus requests that we eliminate the interim must carry rules.

22. Century argues that the interim must carry rules are content-based and, thus, *O'Brien* is not the appropriate standard for review. In this regard, Century states that in making their programming judgments, cable operators exercise their editorial discretion relative to speech content. Thus, Century argues, the rules directly interfere with communicative activity by designating certain sources that must be included by cable editors and by according preferences to certain favored classes of speakers, such as those who are local and popular. Century also claims that *City of Renton v. Playtime Theatres, Inc. (Renton)*[9] is inappropriately applied by the Commission in its constitutional analysis of the new regulations, as the rationale for time, place and manner restrictions cannot be used to condone intrusions into program content and distribution. It further argues that Without *Renton*, the Commission's rationale cannot be sustained. Century concludes that the Commission's constitutional analysis of the must carry rules improperly blends content regulation with market entry and other non-communicative aspects of cable television. Therefore, Century seeks elimination of the interim must carry rules.

23. CCTA takes the position that the five year sunset provision does not justify unconstitutionally intruding on First Amendment rights. It cities *Century Federal, Inc. v. City of Palo Alto (Century Federal)*,[10] for the proposition that intrusions on cable operators' speech rights are not acceptable merely because they are limited in duration. CCTA thus argues that the infirmity of the interim must carry rules is not cured by the five year sunset provision.

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[9] 106 S.Ct. 925, 54 U.S.L.W. 4160 (1986).

[10] 648 F. Supp. 1465 (N.D. Cal., Dec. 3, 1986).

CCTA proposes that if the Commission decides to retain the interim must carry rules, then it should select a shorter interim period that is more in keeping with the regulatory program goal of educating consumers. In this regard, it argues that there is nothing in the record of this proceeding to suggest that a five year period is needed to accomplish the educational task.

24. CCTA also submits that input selector switches should not be mandatory; rather, they should be available for sale or lease to subscribers who request them pursuant to a strong information requirement, somewhat like the cable "parental control" device. As CCTA sees it, this modification offers two advantages: 1) it would not impose unnecessary costs on customers who do not need or desire an input selector switch; and, 2) it would allow a market for built-in input selector switches to develop. CCTA contends that the Commission's approach, if implemented, would impede the development of That market because subscribers would have no reason to buy receivers with built-in switches if cable systems provide switches for free.

25. The Texas Cable TV Association, filing jointly with four other cable interests. (Texas Cable) contends that the consumer education information requirement is unconstitutional since the Supreme Court has outlawed mandatory "consumer interest" messages of the kind adopted by the Commission to effect its decision. In support, it cites Pacific Gas and Electric v. P.U.C. of California (Pacific Gas),[11] which, it states, held that mandated access to "extra space" in billing envelopes for consumer advocacy group messages violated the First Amendment rights of a regulated utility. Moreover, Texas Cable maintains that the education program is inconsistent with the Commission's underbrush decisions to leave the regulation of broadcasters' trade practices to the FTC and the Better Busi-

[11] 106 S.Ct. 903, 54 U.S.L.W. 4149 (1986).

ness Bureau, and with the 1985 Fairness Report, in which the Commission determined that the public interest is not served by forcing broadcasters to telecast messages on controversial issues of public importance.

26. The Association of Independent Television Stations, Inc. (INTV) requests reconsideration of the sunset provision of the interim must carry rules. INTV contends that it is unlikely that the "fair and open competitive market environment"[12] for programming sought by the Commission can be achieved within five years through the input selector switch and consumer education requirements. It argues that various cable and broadcast industry studies and reports, including that submitted by the Joint Petitioners as discussed above, demonstrate that input selector switches are flawed, ineffective mechanisms for recapturing the access to off-the-air broadcast signals that is lost when cable service is installed.

27. INTV cites the NCTA and NAB studies, which, it states, show the technical problems with the input selector switch plan. Additionally, INTV states that it pointed out in its original comment in this proceeding the difficulties in using input selector switches with cable-ready sets and/or videocassette recorders (VCRs). It also submits that input selector switches are totally unusable for many TV viewers who are prohibited from erecting outdoor TV antennas, live in apartment buildings, or otherwise "cannot or will not" use input selector switches due to local zoning regulation or complexity of operation.

28. INTV further argues that even if the input selector switch rules did provide adequate subscriber access to off-the-air broadcast signals, the market environment envisioned by the Commission will never be achieved unless and until Congress and the Commission eliminate a panoply of regulatory and statutory policies that insulate cable

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[12] *See Report and Order, supra* at para. 133.

systems from the market in which broadcasters compete. According to INTV, these policies include: 1) the cable compulsory copyright license; 2) entry barriers to cable competition from telephone companies, broadcast stations, and television networks; and, 3) Commission-approved abrogation of local television stations' exclusive local program exhibition licenses. It states that sunset of the must carry rules will, absent concurrent actions on the part of the Commission and Congress, leave undisturbed this regime of "cable friendly" regulation that insulates cable from the forces of marketplace competition. Thus, INTV argues that the government interest in maximizing diversity in program choices and fostering competition among program sources will be ill-served in the absence of ongoing, limited signal carriage rules.

29. INTV is also concerned that the Commission apparently "dismissed" Section 307(b) of the Communications Act, which requires that radio frequency services be distributed "among the several states and communities" in a fair and equitable manner, as a component of the federal interest supporting the interim must carry rules. It submits that localism and free, local broadcast service remain preeminent communications policy objectives and important federal interests. INTV states that there is no statutory interest comparable to that expressed in Section 307(b) for non-local program services available only to persons who are willing to pay for them. It submits that the Commission's seeming equation of free local broadcast service with non-local, subscription? narrowcast services such as cable networks is, therefore, unwarranted! It argues that the Commission's disregard for Section 307(b) is unwarranted, unsupportable, and inconsistent with its statutory mandate and must be corrected on reconsideration.

30. INTV requests that the interim must carry rules be retained until the fair and competitive market environment we seek has actually been achieved. It suggests that we adopt a system-by-system sunset of our must carry rules

to be effective upon: 1) elimination of all the above-mentioned governmentally mandated protections of cable systems from the free market in which local broadcasters and all other video program distributors must operate; and, 2) introduction of intra-modal competition, that is, a second cable system into the community. In the alternative, INTV requests adoption of the "permissible signal carriage" rule which it initially proposed in this proceeding. Under that proposal, the cable operator would choose either to invoke the compulsory copyright license by carrying all "local" signals or to negotiate separately with copyright holders for use of their work. INTV further submits that if we decide to retain The five-year sunset provision, we should indicate willingness to consider, as an aspect of our consideration of continuing relief in particular situations where continuing signal carriage rules might be necessary, the possibility of extending the rules beyond their scheduled expiration date.

31. To support ongoing signal carriage rules, INTV argues that the Commission's constitutional analysis should rely more confidently on the standard established in *O'Brien* and other applicable Supreme Court decisions. In this respect, INTV states that the Commission's analysis is basically correct but is not complete. It submits that the Court's holding in *Renton* makes clear that regulations which are not aimed at suppression of speech, that is, those that are "justified" without reference to the content of the regulated speech, are constitutional if they are designed to serve a "substantial government interest" and "allow for reasonable alternative avenues of communications."[13] INTV asserts that the interim must carry rules, without the input selector switch rules, satisfy this test, including the second part of it, by leaving at least 75 percent of cable system' channel capacity free from any signal carriage obligation. If further argues that the in-

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[13] *Renton, supra* at 928-930.

terim must carry rules clearly satisfy the *O'Brien* standard even in the absence of the Court's decision in *Renton.* In this respect, INTV observes that the Court recently affirmed in *United States v. Albertini (Albertini)*[14] that "an incidental burden on speech is no greater than essential, and therefore permissible under *O'Brien,* so long as the content-neutral regulation promotes a substantial government interest that would be achieved less effectively absent the regulation."

32. Richard Leghorn seeks revision of our basic approach for resolving the must carry matter. He submits that we took the good idea of relying on input selector switch requirements as a long term means to achieve our goals, but then misapplied it in a manner that satisfies no one and fails to accomplish those goals. Specifically, Leghorn objects to what he terms are: 1) our unnecessary and excessive reliance on external switches; 2) the massive information campaign required of cable operators to cure a market dysfunction caused by the former rules; and, 3) the five additional years of unnecessarily intrusive must carry rules. He contends that we did not develop a complete record on input selector devices and, thus, we failed to satisfy the requirements of administrative rule making and we further failed to identify the least intrusive means of achieving our policy objectives. Leghorn argues that the two-part regulatory program is technically impractical and infringes the First Amendment rights of cable operators.

33. Leghorn argues that the *Report and Order* fails to recognize that, in the long term, input selector switches built in during the manufacture of television receivers are significantly superior to external switches. He states that there are a number of advantages to use of electronic, internal switches, including: 1) purchase and maintenance costs would be lower; 2) technical performance would be

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[14] 472 U.S. 675, 105 S.Ct. 2897, 2907 (1985).

substantially better; 3) the dangers of signal leakage to air navigation and increased risks of lightning harm resulting from poor grounding would be practically eliminated; and 4) the home television environment would be "friendlier" for consumers. Leghorn asserts that our input selector switch rules will suppress demand for receivers with internal switches because cable subscribers will not purchase receivers with built-in switching capability when they are provided mechanical, external switches free of charge.

34. Leghorn characterizes the consumer education program as, in effect, compelling cable operators to advertise the availability of their off-the-air competition, an approach which he says will greatly waste time and money and engender consumer confusion and resentment. Leghorn contends that the education requirement cannot be justified as a mere consumer protection mechanism, since it directly forces an industry to advertise the whereabouts of its competitors without requiring any effort by the competitors themselves. Consequently, Leghorn submits that the consumer education program is unconstitutional, as cable operators may not wish to use their facilities to advertise their competition, and these rules will in many instances compel operators to speak. In support, Leghorn principally cites *Pacific Gas*, in which he states the Supreme Court agreed with the contention of a regulated utility that it had a First Amendment right not to be required to use its own property to help spread a message with which it disagrees. Texas Cable essentially agrees with this analysis. Leghorn proposes that responsibility for carrying the burden of consumer education be shifted to broadcasters and/or the Commission.

35. Finally, Leghorn asserts that the interim must carry rules are unconstitutional. He argues that more exacting scrutiny than the *O'Brien* standard is required to evaluate these rules. In this respect, Leghorn contends that the Commission's interpretation of *Renton* in its rationale for

applying *O'Brien* was incorrect. He argues that *Renton* only applies when the regulation at issue is not directed at the content of the communications involved, and that it does not stand for the proposition that any regulation is content-neutral simply because it is viewpoint-neutral. He futher states that by contrast with the situation in *Renton*, the interim must carry rules are directly concerned with the content of speech because they rank categories of speech and speakers. Leghorn also contends that the Commission incorrectly applied the *O'Brien* test by ignoring the impact the must carry rules will have on the content of a cable operator's speech. In addition, he asserts that the rules coerce speech by forcing cable operators to retransmit television programming which they might not otherwise carry.

36. In view of the above, Leghorn requests that we conduct a supplemental inquiry to develop a public record on the relative costs, technical performance, safety, and consumer convenience aspects of external switches versus switches that are built-in to television receivers, including current designs and feasible improvements in such devices. He proposes that, after conducting this injury, we adopt rules generally in accordance with his earlier proposal to require manufacturers to build switches into television receivers and related control equipment, and require cable systems for an interim period to provide external switches only when they choose not to carry all local VHF signals. He maintains that the Commission has authority to mandate these built-in switches under the All-Channel Receiver Act of 1962, 47 U.S.C. §303(s). Leghorn also suggests that his proposal be modified to require that cable operators who do not carry all local VHF signals provide external switches, but be permitted to charge for their installation. He states that this will alleviate our concern that his proposal would operate as an incentive for cable systems to carry a fixed set of signals as a way to avoid expenses. Leghorn further requests that we adopt performance spec-

ifications as a means to ensure that manufacturers develop switches that consumers can safely install themselves.

37. Taft Broadcasting Company (Taft) urges the Commission to issue a Notice of Inquiry to investigate the technical adequacy of input selector switches, the extent to which viewers are in fact able to erect antennas, the comparative quality of off-the-air signals and the cable signals of the same station, and the extent to which viewers will choose to watch a superior quality television signal over a signal of inferior quality even when the viewer might prefer programming content of the inferior signal. Taft suggests that the Commission continue to suspend the input selector switch requirements and the five year sunset period pending the outcome of the inquiry, but that it implement the new must carry rules to ensure that cable subscribers will continue to have access to off-the-air television stations.

38. Range Television Cable Co., Inc. (Range) urges the Commission to reconsider its input selector switch rules to create an exemption for cable systems that provide all available off-the-air broadcast signals to their subscribers as part of their basic tier of cable service. Range submits that the effect of the rules adopted is to cause cable systems carrying all local signals to incur the additional expense of installing input selector switches for no good reason and, at the same time, cause increased costs for subscribers.

39. Continental Cablevision, Inc. (Continental) states that it generally supports the NCTA, CATA and NAB petition and strongly opposes the blanket requirement to install input selector switches without regard to whether a cable system is inhibiting the reception of local television signals. In this regard, Continental states that it would not oppose a rule requiring installation of an input selector switch at any future date (even after the sunset of the interim must-carry rules) for subscribers of systems that

cease to carry signals defined by the Commission's rules as local. Such an exemption also is supported by the National Independent Television Committee (NITC), which requests in the alternative that the input selector switch rule not be applied Where cable systems are subject to full competition, i.e., where telephone companies can offer cable television services and cable systems are not protected by the compulsory copyright license.

40. The Office of Communication of the United Church of Christ, Henry Geller, and Donna Lampert (UCC) submit a joint petition criticizing the new rules as an imposed government solution that looks good on paper but does not realistically address the important public policy interests at issue. UCC argues that input selector switches will never be an effective means for providing access to off-the-air signals that are not carried by a cable system. They point to the various technical problems with the switches indicated in the NCTA report, although they also suggest these problems are being exaggerated for tactical purposes. UCC believes that because of the inconvenience of switching to antenna reception and then tuning to a station, it is unlikely that consumers will actually use switches to gain access to a relatively few stations not carried by their cable system. They submit that the input selector switch requirement will impose costs on the industry and the public and will not further our policy objectives.

41. UCC also argues that we have not properly defined the public interest. They argue that we were incorrect in determining that the federal interest was concerned not with the service of particular local broadcasters, but rather with preserving during the interim period the program source diversity provided by the system of broadcasting. In this respect, UCC states that the preservation of local service is mandated by Section 307(b) of the Communications Act.

42. UCC argues that the proper analysis of the must carry situation is that cable has inserted itself into the broadcast signal distribution scheme and is, therefore, subject to reasonable Commission regulation to ensure that its actions are consistent with the foundations of that scheme. They assert that these foundations require the maintenance of healthy local broadcast outlets. They acknowledge that there is a changed circumstance—the development of many cable program services and the difficulty in carrying all broadcast and cable services on systems with limited channel capacity—that militates against mandatory carriage of all available broadcast signals.

43. Because of these changed circumstances, UCC submits that the Commission, if it is to act reasonably, must restrict mandatory carriage rights to those stations truly in need of cable carriage. They maintain that the categories of stations in need are those set forth in their comments and replies in this proceeding. Thus, they request must carry protection be established as follows: 1) carriage of all local stations in sparsely populated areas (e.g. blow the top 100 markets), regardless of channel capacity; 2) carriage priority for public broadcasting stations, community stations, and UHF independents (initial license period) in situations involving cable systems with limited capacity in the top 100 markets. Under the UCC proposal, there would be no mandatory carriage for VHF stations in the top 100 markets, regardless of cable system channel capacity, and no mandatory carriage would be afforded unless the station is serving as a significant local outlet, i.e. broadcasts more than 40 percent local programming directed to serving the needs and interests of the community.

44. They also argue that regulation that is reasonably related to the public interest in the signal carriage matter would not violate the First Amendment. UCC submits that cable interests cannot insist upon the right to import dis-

tant signals, to the detriment of local signals in rural areas, of new UHF independents, or of local public broadcasting service. Moreover, they contend that even if the *O'Brien* test were used, the approach in their proposal would easily pass constitutional muster in that it would provide protection for an important and substantial federal interest and its incidental impact on the alleged First Amendment freedoms would be the minimum necessary to the furtherance of that interest.

45. In its reply comments, Pico Macom, Inc., which states that it is the leading supplier of input selector switches for the cable industry, refutes petitioners' claims that there are technical problems with the available input selector switches that render them unsuitable for use with cable service. Pico Macom submits that its current switch, the "Macom AB-2" meets or exceeds all of the technical specifications required by the cable industry, including isolation, insertion loss, and return loss. It also states that its factory testing process proves that This switch will withstand at least 10 years of very hard use. Pico Macom also contends that Gill Industries, as discussed below, dramatically overstates the extent to which the use of a properly installed input selector switch will cause objectionable interference to television viewing.

46. Pico Macom also submits that petitioners, particularly Joint Petitioners, have greatly overstated the cost of compliance with the switch rules. It states that based on a poll of three major distributors, cable operators can purchase its switch for as little as $2.25 per switch. Pico Macom argues that Joint Petitioners also have inflated the long term cost of the switch by underestimating its useful life. It states that the actual switch life of 10 years will significantly reduce the costs of labor and hardware for switch replacement/repair claimed by Joint Petitioners. Pico Macom also submits that Joint Petitioners have overstated the costs of providing transformers for use with switches

because not every subscriber will need such a device.[15] Finally, it claims that petitioners have failed to recognize that the price of switches, transformers, and jumper cables is likely to fall by as much as 10 percent if the rule goes into effect, as production efficiencies will be realized with the increased demand.

Evaluation of Basic Policy Issues

47. We are not persuaded that we should alter the basic approach of our two-part program for resolving the must carry matter. In this respect, we find unpersuasive petitioners' arguments that we incorrectly assessed the federal interest and that the two-part program is an unworkable solution to the must carry matter. Rather, we continue to believe that the undesired effects of our former must carry rules will be best resolved by a regulatory program that includes both input selector switch and interim must carry requirements. This approach is both the most effective and the least intrusive means to achieve our objectives to alter consumers' existing practices and knowledge concerning the need for off-the-air reception capability and to provide an orderly transition to a new environment in which cable mandatory signal carriage regulation will no longer be necessary. We are confident that the fundamental approach of the program adopted in the *Report and Order* is the appropriate course of action in this matter. However, we recognize petitioners' argument that the program, is adopted, imposes significant costs and implementation burdens on the cable industry. Therefore, we are modifying certain provisions of the program. We believe that these modifications are responsive to

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[15] Pico Macom states that a transformer is necessary only if the subscriber's antenna is connected with 300 ohm flat wiring. It argues that in many instances antennas are connected to receivers with 75 ohm coaxial cable and, for support, points to the statement in Gill Industries' petition that 51 percent of its customers in the San Jose, California have only coaxial leads for antenna input.

petitioners' concerns and will enhance the long-term effectiveness of the basic two-part program to achieve our objective of ensuring viewers' access to the maximum number of program choices available through cable and off-the-air broadcast television facilities.

48. *The Federal Interest.* We find no merit in INTV's and UCC's position that we incorrectly or otherwise improperly treated Section 307(b) of the Communications Act as a component of the federal interest in the must carry matter. In the *Report and Order*, we observed that our assessment of the federal interest is premised on concerns different from the Section 307(b) concerns relied upon by the Commission in initially adopting the former must carry rules. We found that the structure of the overall video market has changed and that this change is primarily due to the emergence of the cable industry as a means for distributing new program services. These findings led us to conclude that it is no longer appropriate nor desirable to treat cable purely as a supplementary or auxiliary video distribution service and to protect local television service in competition with cable service. Therefore, consistent with the statutory goals contained in Sections 151 and 303(g) of the Communications Act, and Section 601 of the Cable Communications Policy Act of 1984 (Cable Act),[16] we determined that the public interest would be better served by a policy that maximizes program choices rather than one that protects one segment of the television industry by substantially limiting the ability of others to offer service to consumers. While we did not, therefore, rely specifically on Section 307(b), we did find that the plan we adopted also contributes towards the Section 307(b) statutory goals.

49. We continue to believe that it is desirable to proceed toward an environment where we no longer will protect

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[16] 47 U.S.C. §§151 and 303(g); Cable Communications Policy Act of 1984, Pub. L. No. 98-549, §§1 *et seq.*, 98 Stat. 2779 (1984).

the broadcast industry from competition with the cable industry.[17] In maintaining this position, we are cognizant of our mandate to distribute radio frequency services "among the several states and communities" in a fair and equitable manner. We believe our two-part program contributes to Section 307(b) objectives by fostering independent access to local off-the-air television services so that such stations may operate in a fair and open competitive environment with other providers of video services. To protect the broadcast industry *per se* in furtherance of Section 307(b), would have the effect of limiting access to program choices. Such a policy might diminish the overall public interest with respect to our mandate to "make available to all the people of The United States a rapid, efficient communications service" and to "generally encourage the larger, more effective use of radio" under Sections 151 and 303(g) of the Communications Act. It might also impede the intent of the Cable Act, as expressed in Section 601 thereof, to establish a national policy that encourages the growth and development of cable services and assures that cable systems are responsible to the needs and interests of the local communities They serve.

50. *Feasibility of Input Selector Switches.* We believe that the technical problems described by those seeking elimination of the input selector switch requirements are much overstated. First, improper installation of switches by subscribers is not likely to be a cause of harmful signal leakage. Cable subscribers generally will be able to install these devices properly themselves if they are provided with appropriate instructions, including directions to immedi-

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[17] Nothing in this Memorandum Opinion and Order is intended to prejudice our decision on any of the issues raised by Satcom, Inc. in its petition for rule making proposing rules relating to multiple ownership of cable systems. The Commission requested comments on that petition in a Public Notice issued June 19, 1986, RM-5475.

ately check for proper switch operation. The primary potential for interference is that switches could be installed such that the cable output would be connected directly to the antenna, and thus would radiate the full bandwidth of the input cable signal. Such connections will not be a major problem because when they do occur, the switch will be unable to alternate between the input sources and the installer/subscriber will realize immediately that something is wrong and take corrective action. Another factor that must be considered in assessing the interference potential of input selector switches is whether a separate terminal device is used to receive cable service and, if so, whether the switch is installed on the cable or receiver side of the terminal device. Where a terminal device is used, and the switch is between it and the television receiver, the risk of interference resulting from improper installation is particularly low. In such cases, the direct connection of the terminal device output to the antenna through improper switch installation would result in radiation of only the device output. Because the output of the device is on a channel unused for broadcasting (generally either channel 3 or 4), the potential for interference created by accidentally coupling the terminal device to the antenna is very low. In cases where switches are built-in to television receivers and TV interface devices, the potential for interference is even less.

51. Evidence that subscribers can make complex cable connections correctly is provided by the fact that there have been no widespread problems or difficulties encountered by consumers in installation of cable-ready VCRs and receivers. We also observe that, as addressed in Gen. Docket No. 85-301, many cable subscribers now are acquiring and successfully installing their own cable terminal/converter equipment.[18] We are aware of no widespread or

[18] *See Notice of Proposed Rule Making* in Gen. Docket No. 85-301, 50 FR 42729 (1985); and *Further Notice of Proposed Rule Making* in Gen. Docket No. 85-301, 51 FR 31147 (1986).

general problem with consumers' installation of this equipment and believe that consumers also can correctly install input selector switches. In any event, those who contend consumers cannot properly install switches present no credible evidence to support their claim.

52. Second, we do not believe that input selector switches will degrade reception of cable service or permit signal leakage that will cause interference to off-the-air reception. Section 15.606(a) of our rules specifies a 60 dB isolation standard under which millions of transfer switches have been authorized (as components of video games, computers and other devices).[19] We are unaware of any interference to off-the-air reception attributable to any of these switches (mechanical or electronic), failing to isolate the antenna port sufficiently. Therefore, we believe that the 90 dB of isolation that Joint Petitioners claim is necessary to avoid these problems far exceeds that which is actually required in most instances. With regard to interference to cable reception, we observe that the signal strength received by the antenna and delivered to the receiver input terminals in most locations is substantially less than the 40 dBmV signal claimed by petitioners. Thus, for most installations, switch isolation of 60 dB appears sufficient to prevent interference to cable reception. In those areas close to broadcast transmitters, direct pick-up interference at the receiver tuner would frequently offset any additional protection provided by higher switch isolation. In those rare instances where greater switch isolation would be worthwhile, this fact could be brought to subscribers' attention so that they may act accordingly. We also find no evidence in the record to indicate that

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[19] Section 15.606(a) specifies a maximum voltage which may be generated at the antenna terminals of an antenna Transfer switch. For a typical cable system using 75 ohm coaxial cable and signal amplitudes of 3.16 millivolts (+10 dBmV), the switches must exhibit an isolation of at least 60 dB.

use of properly designed input selector switches would result in unacceptable insertion or return loss. In fact, as discussed by ATC and Pico Macom, switches that appear to provide acceptable technical performance are available now. Moreover, we are aware that similar switches are available from many other manufacturers and have been in use by cable subscribers for some time. We are aware of no reports of general leakage or other performance problems with any of the switches currently available. However, while we are confident that input selector switches can be used without leading to harmful interference, we recognize the importance of the switch technical performance issue and the need for appropriate standards to ensure that their use does not lead to harmful interference. Accordingly, we plan to initiate a separate proceeding, as discussed below, to consider technical standards for such switches.

53. Third, we find no merit in petitioners' arguments that input selector switches will fail or "wear out" even before the interim must carry rules expire. As Pico Macom indicates, reasonably priced switches that are capable of providing many years of service under heavy use are available now. Finally, we previously have addressed petitioners' claims that use of input selector switches would render unuseable certain features of cable subscribers' television receivers, VCRs and cable converters. As we stated in the *Report and Order*, any such problems can be overcome through relatively minor modifications to switching devices. Cable operators and other equipment suppliers can provide the information and/or assistance consumers may need to install switches in a manner that will enable operation of all the various features of video equipment.

54. Finally, we find no need to conduct further inquiry into the feasibility of input selector switch requirements as an effective element of our policy for resolving the must carry matter as argued by Taft and Leghorn. We disagree with petitioners who contend that the record in this pro-

ceeding did not provide sufficient information to support the input selector switch requirements. The record adduced at the *Report and Order* stage of this proceeding addressed issues and included evidence and information concerning the benefits and potential problems associated with use of input selector switches in connection with cable service. In any event, the abundant additional information submitted on reconsideration corrects any deficiencies that might have existed in the record. Thus, the information currently before us with respect to switch costs, technical performance, consumer convenience, switch compatibility with other equipment, and use of antennas for off-the-air reception is more than sufficient to support our decision in this proceeding. We note, moreover, that input selector switches have been at issue since Turner's initial petition for rule making to eliminate the former must carry rules and that it was part of the *Quincy* court's findings.

55. *Other Input Selector Switch Issues.* We also are not persuaded by petitioners' arguments that other policy considerations render the input selector switch requirements unworkable as part of the solution to the must carry matter. We continue to disagree with petitioners that consumers will find input selector switches impractical to use. As we indicated in the *Report and Order*, consumers are becoming increasingly accustomed to switching between alternate program input sources, particularly in conjunction with use of VCRs.

56. We also continue to reject Leghorn's proposal to require manufacturers to build input selector switches into new television receivers. In the *Report and Order*, we fully considered this proposal. There we indicated that it is not desirable to require all receivers to be built with a feature intended for use only by cable households. We further recognized that cable subscribers purchasing cable-ready receivers may prefer a more sophisticated external switching device and, thus, may not need built-in switching capability. We concluded that market forces are the most

appropriate means to determine both the number of receivers to be produced with built-in switches and the specific design of those features. We also observe that the desirable features of integral switches described by Leghorn also can be incorporated into switches built-in to video peripheral equipment such as VCRs and cable converter/controllers. Most of these features also can be made part of stand-alone switching devices.

57. We do not find that the input selector switch rules should be modified to permit the exemptions requested by Joint Petitioners, Range, NITC, and Leghorn. Those petitioners generally seek exemptions from the switch requirements in cases where cable systems either choose to carry all available off-the-air signals or are subject to direct competition from one or more other cable systems. Leghorn's proposal to require cable systems to provide external input selector switch requirements for an interim period only where they do not carry all local VHF signals would be particularly undesirable. This proposal would encourage cable systems to carry a fixed complement of broadcast signals (namely the VHF signals) and, thus, would be contrary to our intention that cable operators have the greatest flexibility possible to tailor their program services to meet viewer preferences. As proposed, this solution to the must carry matter would not address in any way The issue of access to the signals of stations other than those VHF stations that would qualify as "local signals." We also reject Adelphia's request that input selector switches not be required for new cable subscribers. We believe that new subscribers are just as likely to have the same misperceptions as existing subscribers. Many "new subscribers" in fact have subscribed previously to cable service while the former must carry rules were in effect.[20] In addition, many

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[20] In this respect, we note that annually, approximately one-third of new cable customers nationwide formerly subscribed to cable service. Remarks of James P. Mooney, President and CEO, NCTA, before the National Press Club, Washington, D.C., January 12, 1987.

first-time subscribers also are likely to have formed the misperception as a result of contacts with existing cable subscribers and from information provided in media sources and cable sales literature. Moreover, we believe it is important during the transition period to make affirmative efforts to encourage the installation and use of input selector switches.

58. *Must Carry Policy.* In the *Report and Order,* we concluded that short-term must carry rules are necessary to ensure that broadcasting remains a competitive alternative source of programming during the transition period. We also recognized that such rules are a stringent form of regulation that intrudes on cable operators' free speech rights. Thus, we found that must carry rules are neither desirable nor sustainable as long-term solutions to the problem of cable subscribers' access to broadcast signals and, in fact, would impede our objective of maximizing program choices to viewers.

59. We are not persuaded by petitioners' arguments that we should alter our decision to adopt interim must carry rules on policy grounds. First, we reject TBS' argument that we did not demonstrate that interim must carry rules are warranted. In the *Report and Order,* we found that there is evidence that some cable systems have ceased to carry individual broadcast stations, refused to carry new stations, and/or requested payment for carriage of stations. In weighing the evidence of cable industry behavior in the absence of must carry rules, we also considered that many cable operators thus far may have been hesitant to act as if there were no such rules pending the outcome of this rule making proceeding. In particular, we observed that NCTA leaders apparently have suggested to members that they continue to carry local signal until this matter is settled.[21] We further determined that cable subscribers

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[21] *See also Report and Order, supra* at n. 159.

generally have not maintained independent off-the-air reception capability and that there is ample evidence that cable penetration nationwide has reached a level such that there is potential for this problem to affect a substantial portion of the population. While it is difficult to provide an accurate forecast of the effects of cable systems' signal carriage practices in the absence of must carry rules on viewer access to program choices, the evidence is sufficient to demonstrate that many cable subscribers may not have access to local broadcast signals during the transition period. Because a significant portion of the viewing public might not have access to broadcast signals, the competitive structure of the video programming industry could be materially harmed in the transition period. Thus, mandatory signal carriage rules are needed to ensure the competitive viability of broadcast television service during the transition to the new competitive environment.

60. Second, we disagree with the position of Joint Petitioners and INTV that continuing must carry requirements are necessary on the ground that the input selector switch and consumer education rules will not achieve their intended objectives. As indicated above, we remain confident that the input selector switch and consumer education aspects of our program are a workable means to ensure that cable subscribers will gain and maintain the awareness of the need for, and have the opportunity to acquire, capability to receive broadcast signals off-the-air. We also remain confident that requiring must carry rules on an interim basis will prevent disruption of the flow of television services to the public and will facilitate an orderly transition to a new market environment in which must carry regulation is no longer necessary because consumers will have both the awareness and capability to use switching devices to alternate between cable and broadcast program services.

61. Third, we also reject INTV's and NITC's argument that continuing must carry rules are needed to prevent

disequilibria in the marketplace resulting from other regulatory and statutory factors. In the *Report and Order*, we recognized that these other factors also may tend to distort competition in the video market in a manner that may adversely affect viewers' access to program choices. While we indicated our intention to separately examine these other regulatory and statutory factors,[22] we determined that our action in the signal carriage matter is supportable in its own right based on the evidence in the record of this proceeding. In this regard, the D.C. Circuit in *Committee to Save WEAM v. FCC* found that the Commission may rely on competitive market forces to achieve its public interest objectives even where market imperfections exist.[23] While the compulsory license and the like may prevent ideal market conditions, they do not preclude basic competition in the market; and the latter is all that is needed to justify reliance on market forces.[24] Accordingly, we find no new information or evidence in these petitioners' submissions to alter our conclusion that these factors are separable issues and resolution of the signal carriage matter is not affected thereby. Therefore, we continue to maintain that there is no justification for the long-term intrusion on cable operators' First Amendment rights that would be imposed by continuing signal carriage rules.

62. On the other side of this issue, it would not be desirable to shorten the transition period as argued by

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[22] On February 12, 1987, We initiated two proceedings to address these issues. We adopted a *Notice of Proposed Rule Making* Gen. Docket No. 87-24, FCC 87-65, released April 23, 1987, which proposed to repromulgate some form of syndicated exclusivity rules, to strengthen the network non-duplication rules, and to delete the current non-network program territorial exclusivity rules. We also adopted a *Notice of Inquiry*, Gen. Docket No. 87-25, FCC 87-66, released April 23, 1987, to examine the effects of cable's compulsory copyright license on competition between the cable and broadcast television industries.

[23] 808 F.2d 113, 117 (D.C. Cir. 1986).

[24] *Id.*

CCTA. We believe that our decision to allow for a five year transition period reflects a sound predictive judgment and rational exercise of our broad discretion to engage in regulatory "line drawing" in furtherance of our public interest responsibilities.[25] As indicated in the *Report and Order*, we determined that a five year transition period is necessary not simply to provide consumers with sufficient time to become aware of the need for independent access to off-the-air broadcast signals, but also to acquire or reacquire such capability if they so desire by installing indoor or outdoor antennas. Further, this period is necessary not only to educate consumers about the need for input selector devices, but also to provide sufficient time for the design, development, and marketing of equipment that will provide consumers with a continuing and effective off-the-air access capability.

63. Finally, for the reasons we indicated in the *Report and Order*, we continue to reject UCC's proposal for new must carry rules that restrict carriage rights to only those "significant local stations" that are "in need" of carriage.[26] There, we found that UCC's proposal was not only unsuited to the current need for must carry rules during the transition, but also that it would, in fact, hinder rather than promote viewer access to program choices in the interim period! We observe that UCC's resubmission of its earlier proposal in this proceeding is predicated on its assertion that we improperly defined the federal interest in this matter. As we indicated in the *Report and Order*, and reiterate here, "[o]ur objective in adopting these rules is neither to penalize nor to benefit any particular station," but rather "to temper, during an interim period, potential threats to the program source diversity provided by the

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[25] *See generally FCC v. National Citizens Committee for Broadcasting*, 436 U.S. 775, 814 (1977).

[26] *See Report and Order*, *supra* at paragraph 177.

system of broadcasting."[27] Inasmuch as we find that argument incorrect, as discussed above, we need not further address UCC's request.

64. *Constitutional and Statutory Issues.* After reviewing the relevant Federal case law, we determined in the *Report and Order* that intrusions on the First Amendment rights of cable operators are subject to a more stringent standard of review than that currently applied to broadcasters, that the interim must carry rules could properly be classified as content-neutral and that, using the standard for analyzing the propriety of content-neutral regulations, the rules furthered the substantial federal interest of maximizing the viewing choices available to consumers and were narrowly tailored to meet that objective. A number of petitioners now maintain that our determination of the must carry regulations' content-neutrality was incorrect, and make various arguments against our use or application of the *O'Brien* standard[28] to evaluate the constitutionality of the overall must carry program. Petitioners further claim that the input selector switch requirement is fatally overbroad, that the five-year sunset provision does not sufficiently limit the rules' intrusions on cable operators' First Amendment rights, and that the consumer education component of our overall plan unconstitutionally compels cable operators to speak and to advertise their broadcast competitors. We will address these arguments in turn.

65. Several petitioners address our application of *O'Brien* in the *Report and Order* and the content-neutrality of the interim must carry rules. TBS claims that the interim must carry rules constitute a prior restraint on protected speech under the First Amendment because the

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[27] *Report and Order, supra* at paragraph 198.

[28] Generally, under *O'Brien* and subsequent cases, a government regulation that imposes an incidental burden on speech will be upheld if it advances a substantial governmental interest and is narrowly tailored to further that interest. *Report and Order, supra,* at 894.

rules act to preclude cable operators' programming selections, compel cable operators to make particular signal substitutions, and impose sanctions for refusals to comply. Consequently, TBS states, the *O'Brien* test is inappropriate to judge the constitutionality of the rules, and stricter constitutional analysis should be applied. Century and Leghorn maintain essentially that the interim rules are not content-neutral because they improperly interfere with the protected editorial discretion of cable operators by designating classes and preferences of speakers and by forcing operators to carry signals which they otherwise may not choose to program.

66. We reject the suggestion that these rules should not be considered as content-neutral for purposes of constitutional analysis. The interim must carry rules require only that for a limited time, cable systems must devote a limited portion of their channel capacity to carriage of broadcast signals available off-the-air in their community. As we stated in the *Report and Order*, the interim rules make that determination based not on the content of those signals, but on criteria wholly unrelated to their content—namely, their proximity to the cable headend and the extent to which they are viewed. Moreover, they do not forbid dissemination of any particular signal or signals. Where, as here, The primary purpose of a regulation is not the promotion or suppression of particular viewpoints, the regulation in question is considered to be content-neutral.[29] The interim rules are intended to further the maximization of viewer choice, "not . . . to prefer broadcast viewpoints over those of cable operators or program-

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[29] In contrast, the use of prior restraint analysis to determine the constitutionally of a government regulation is appropriate only when the restriction imposed by the regulation in question is content-based. Prior restraint of a speaker seeks to prevent the dissemination of some *particular* viewpoint. *See e.g., Near v. Minnesota*, 283 U.S. 697 (1931); *Nebraska Press Assn. v. Stuart*, 427 U.S. 539 (1976).

mers."[30] Consequently, the rules are content-neutral for purposes of constitutional evaluation; the use of the *O'Brien* standard for evaluating content-neutral regulations is therefore fitting in this context.[31]

67. The arguments of all three petitioners implicitly assert that the content-neutral test itself is flawed because the indirect effects of those rules upon programming judgments should not be considered an incidental burden on speech. This is a conclusion we are not empowered to reach; this Commission will not second-guess the Supreme Court on the formulation of constitutional tests and standards. TBS Century and Leghorn all intimate that any attenuation of cable operators' programming discretion, no matter how indirect, is presumptively invalid—a thesis which our review of the pertinent case law belies.[32] The interim must carry rules are "consistent with [the] definition of 'content-neutral' speech regulations as those that 'are *justified* without reference to the content of the regulated speech.' "[33] Therefore, petitioners' arguments must fail.

68. Adelphia and TBS argue that we have failed to demonstrate a substantial federal interest to justify the new rules. In this regard, they claim that we have failed to

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[30] *Report and Order, supra* at 893.

[31] Carriage of noncommercial educational television stations during the transitional period is required to further the uniquely important Federal interest in ensuring continued access to programming "that is not subject to the same market forces as commercial broadcast and cable television." *Report and Order, supra* at 879.

[32] We note that even in assessing the constitutional implications of regulations affecting newspapers, the First Amendment does not "necessarily bar[ ] every regulation which in any way affects what the newspapers publish." *Banzhaf v. FCC*, 405 F.2d 1082, 1100 (D.C. Cir. 1968), *cert. denied sub nom. Tobacco Institute v. FCC*, 396 U.S. 842 (1969). *See also Associated Press v. U.S.*, 326 U.S. 1 (1945).

[33] *Renton, supra* n. 7, at 929 (quoting *Virginia Board of Pharmacy v. Virginia Citizens Consumer Council, Inc. (Virginia Board of Pharmacy)*, 425 U.S. 748, 771 (1976) (emphasis added)).

amass a sufficient evidentiary basis to substantiate the existence of the problems which justify further must carry regulation and our conclusion that input selector switches will assist in maximizing consumer viewing choices. However, our decision in those respects has been reached after weighing the voluminous comments and studies submitted in this proceeding, our own studies on the changing system for providing television service in this country and The evolving role of cable television in that system, and various congressional determinations and amendments to the Communications Act encouraging diversity of programming and competition in the cable television industry. We further observed that, due to "the rapidly evolving nature of the cable industry and changing competitive incentives resulting from the continuing development of satellite programming services carried by cable systems and other factors . . ." it is not clear that timely studies could be performed to obtain an accurate forecast of the actual effect of abandoning must carry rules.[34]

69. Therefore, our decision to implement the input selector switch requirements and interim must carry rules was based on the consideration of all available evidence combined with our special expertise in this field of regulation, a combination that we found was ample to demonstrate the substantial Federal interest at stake and how our solution to the must carry matter best furthers that interest. We concluded, and still believe, that our long-term goal of maximizing viewer choice can be achieved only after correcting consumers' misperceptions that cable systems will carry all available off-the-air signals and that the only available means to view broadcasting signals is through their cable systems, and after providing subscribers with the opportunity to obtain the hardware to switch

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[34] *Report and Order, supra* at 894, n. 159.

between off-the-air and cable program sources.[35] We also concluded that it is necessary to provide interim must carry relief to the broadcast television industry for a time to ensure that it remains a competitive alternative source of programming as we move to an environment without must carry rules. Consequently, a must carry program limited in duration and less intrusive on cable operators than the former rules remains necessary to ensure that cable subscribers retain access to off-air signals during the transitional period after the input selector switch rules take effect.

70. Adelphia and TBS also claim that we failed to demonstrate that the new rules are the least burdensome alternative on cable operators to achieve any substantial federal interest. We do not disagree with the proposition, both as a matter of sound economic regulatory policy and of constitutional doctrine, That we should seek the least burdensome alternative, and we have attempted to fashion rules adequate to the task at hand with that objective in mind. However, in our judgment, petitioners' argument reveals a misunderstanding of the applicable test for establishing the constitutionality of the interim rules. The proper standard for review was recently expressed thus by the Supreme Court:

> [R]egulations [are not] invalid simply because there is some imaginable alternative that might be less burdensome on speech. Instead, an incidental burden on speech is no greater than is essential, and therefore is permissible under *O'Brien*, so long as the neutral regulation promotes a substantial governmental inter-

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[35] TBS' argument that switches are not necessary because most cable operators have not dropped local broadcast signals is not persuasive. Moreover, because our interest is in ensuring *maximum* program choices, even the dropping of one two signals frustrates that objective if the owner does not have the knowledge or equipment to obtain these signals directly off-the-air.

> est that would be achieved less effectively absent the regulation.[36]

Moreover, we are afforded a broad degree of discretion in crafting rules to accomplish our public interest objectives[37]

71. We concluded in the *Report and Order* that the interim must carry rules are narrowly tailored to meet our objectives, and that the burden on cable operators' speech imposed thereby is no greater than necessary to ensure that program source diversity in broadcasting is not threatened during the transition to a video marketplace without must carry rules. We noted that the interim rules avoid overbreadth and undue burdens on cable operators by exempting cable systems with capacities of 20 channels or less, by providing for absolute limitations on the number of stations a non-exempt system is required to carry, by narrowing the criteria for a broadcasting signal to be qualified for must carry status, and by restricting the duration of the rules to a five-year period. The rules further ensure that local broadcast signals will be available to all subscribers by requiring their availability on the lowest priced tier. We believe that the refinements we are making to both the interim must carry rules and the input selector switch and consumer education requirements, as described below, further ensure that our two-part program is properly tailored and thus constitutionally permissible.[38]

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[36] *Albertini, supra* n. 12, at 2907 (citations omitted). *See also Arcara v. Cloud Books, Inc.*, 54 U.S.L.W. 5060, 106 S.Ct. 3172, 3175 (1986).

[37] *See Quincy, supra* at 1459; *see also White House Vigil for the ERA Committee v. Clark*, 746 F.2d 1518, 1519 (D.C. Cir. 1984).

[38] Adelphia argues that the input selector switch requirements are overboard for three reasons: 1) they fail to provide an exemption in cases where an input selector switch would serve no purpose (for example, in situations where all local VHF broadcast stations are carried on a local cable system or where no local VHF signals are receivable off-air in the cable system area); 2) they should not be applied to new

72. While Adelphia and TBS urge us to adopt a solution which is less intrusive on cable operators' First Amendment rights, specifically, the immediate elimination of all must carry requirements, we are not persuaded that there is an alternative that would meet the need to preserve cable subscribers' access to off-the-air broadcast programming during the transition period. That is, because of the perception caused by our former rules' requirement that all local broadcast signals be carried on cable, subscribers will lack both the awareness and capability in the short run to access broadcast signals that are not carried by cable. Although the awareness should be gained once the consumer education programs begin, as described below, it is our best judgment that a five year period is needed to permit subscribers to regain the capability—by installing both switches and antennae. Therefore, we continue to believe that our solution to the must carry matter is the most appropriate and effective means of ensuring that the public interest is served.

73. CCTA claims that the five-year sunset provision for the interim must carry rules does not cure their constitutional infirmity. It cites *Century Federal* to support its proposition that abridgement of cable operators' First Amendment rights is not permissible merely because it is of limited duration. CCTA urges us to select a shorter sunset period of no longer than one year for the interim rules, and declares that the record in this proceeding does not indicate that a five year period is the most appropriate to accomplish the Commission's goals.

74. Initially, we note that *Century Federal* is readily distinguishable from the instant situation. That case in-

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subscribers, since only previously existing subscribers would suffer from the misperception that local broadcast signals cannot still be received through external antennas; and, 3) they should not be mandatory, but rather optional. *See* para. 16, *supra*. We believe these arguments are resolved by our modifications to the input selector switch requirements, detailed below at paras. 78-83.

volved a potential cable operator's First Amendment challenge to Palo Alto, California's use of an exclusive franchising arrangement to limit to one the number of cable operators granted access to the facilities necessary to install cables within the city. In granting a motion for partial summary judgment, the district court held that the insignificant (if any) disruption to the public domain caused by the installation of more than one cable system does not constitute a substantial or important governmental interest so as to warrant suppression of all cable speakers save one, and that even if the cable television market in a particular area is a natural monopoly, no justification exists for greater governmental regulation of cable operators than is otherwise permitted under the First Amendment.[39] In contrast, the must carry matter involves not the total suppression of a speaker to promote a governmental interest of uncertain value, but an incidental burden on a speaker's First Amendment rights for a limited period of time to further the substantial governmental interest in maximizing viewer choice.

75. The propriety of a given time period to accomplish our objectives in making the transition to a regulatory environment free of mandatory signal carriage restrictions is, of course, something that cannot be quantified through empirical analysis.[40] The five-year sunset period was selected because, in our judgment, it is the most reasonable time period in which to impose limited mandatory carriage while ensuring that the consumer education program is completed and cable subscribers have an opportunity to reestablish independent access to off-the-air broadcast television service. We believe that, after that time, the marketplace can be relied upon to maximize program choices for the nation. The five-year period also will allow us an

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[39] *Century Federal, supra* n. 8.

[40] Significantly, we observe that CCTA does not suggest any method by which this might be accomplished.

ample opportunity to observe the transitional cable and broadcast marketplace for purposes of our prospective rule making to determine whether mandatory carriage should continue to be required in particular instances beyond the sunset of the interim rules. Consequently, for all these reasons, we continue to believe that the five-year sunset period is necessary and appropriate.

76. Texas Cable and Leghorn criticize the consumer education requirement of our two-part regulatory program as adopted in the *Report and Order*, claiming that it is unconstitutional because it compels cable operators to advertise the existence of their competitors and coerces cable operators to spread a message with which the operators may disagree. Texas Cable likens the consumer education requirement to the kind of required "consumer interest" message recently struck down by the Supreme Court in *Pacific Gas*. Leghorn contends that case supports his position because the Court there agreed with the utility's contention that it had a First Amendment right not to be required to use its own property to help spread a message with which it disagrees.

77. Petitioners' arguments misconstrue the purpose and function of the consumer education requirements. The requirements as modified below direct only that cable operators list Television stations that may be available off-the-air in the community that are not carried on their cable systems at the time the listing is provided, and give general guidelines as to the information to be provided to subscribers about the input selector switch requirements and the carriage of local television stations. A regulated entity may be required to provide certain information to protect substantial or important interests of its customers. For example, Section 631 of the Cable Act[41] requires cable operators to inform subscribers in writing of the nature,

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[41] 47 U.S.C. §551.

etc., of personally identifiable information collected or to be collected about them and the possible uses of that information. The consumer education information requirements at issue here, including the identification of uncarried signals, similarly further the public interest by educating consumers about changes in the video marketplace that affect their ability to receive programming. We believe that this requirement can be imposed under Sections 2(a), 4(i), and 303(r) of the Act to advance the important federal interest in maximizing program choices.[42] We also note that the consumer education requirement fosters Section 307(b) objectives by facilitating access to off-the-air television. However, the guidelines do not require operators to provide any further information or inducement that solicits subscribers to actually *view* the video "competition", *e.g.*, a description of the general format or programming of the uncarried television station or stations to interest subscribers in switching to their off-the-air capability to watch programs carried on that signal. Without such an inducement, we do not believe that the mere identification of uncarried television stations as part and parcel of our overall program of educating video consumers about the changes in the signal carriage rules and their possible need for input selector switches constitutes "advertising" of those stations.[43] While the Supreme Court, in *Central*

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[42] *See U.S. v. Southwestern Cable Co.*, 392 U.S. 157 (1968); *see also Report and Order* in CC Docket No. 81-893, 95 FCC 2d 1276, 1293-94 (1983).

[43] For example, Leghorn, in characterizing the consumer education program as "advertising," states that "Broadcasting already devote considerable promotional effort to identifying their video fare." However, our program requires only the identification of a signal, not information about any programming carried on that signal. Video consumers are induced to view a station because of desirable *programming*, not because they are informed that a station operates on a particular channel. These petitioners also neglect to note a crucial difference between the consumer education program and "advertising"—namely, that we are requiring dissemination of this information only

Hudson Gas & Elec. Corp. v. Public Service Commission of New York (Central Hudson),[44] recognized the need to protect commercial speech due to the importance of the information function of advertising, it does not follow that any or all information required to be provided by a regulated entity regarding changes in rules and obligations which affect service to its customers constitutes advertising *per se.*[45] In any event, "[b]ecause the extension of First Amendment protection to commercial speech is justified principally by the value to consumers of the information such speech provides . . . [the] constitutionally protected interest in *not* providing any particular factual information in [a business"] advertising is minimal."[46]

78. Insofar as a purely informational requirement like the one adopted in this proceeding is entitled to First Amendment protection,[47] it is well settled that restrictions that incidentally burden speech are justified if the regulation is content-neutral, serves a substantial governmental interest and is not more extensive than necessary to further that interest.[48] Equally permissible are restrictions on

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to their business customers, not to the public at large. In addition, we note that the Commission has imposed similar disclosure requirements in the common carrier area. *See Policy and Rules Concerning the Furnishing of Customer Premises Equipment*, 95 FCC 2d 1117, 1143 (1983).

[44] 447 U.S. 557, 563 (1980).

[45] *Pacific Gas, supra* at 908, n. 9, is inapposite in this regard, since the "speech" involved there was a utility's newsletter that "extend[ed] well beyond speech that proposes a commercial transaction." The Court clearly distinguished applicable law relating to disclosure requirements by businesses. *Id.* at n. 12.

[46] *Zauderer v. Office of Disciplinary Counsel*, 471 U.S. 626, 105 S.Ct. 2265, 2285 (1985).

[47] Even commercial speech consisting of purely factual matter without an advertising component is entitled to a measure of First Amendment protection. *Virginia Board of Pharmacy, supra* n. 24, at 762.

[48] *See Friedman v. Rogers*, 440 U.S. 1 (1979).

false, misleading or deceptive commercial speech.[49] Moreover, we note that "disclosure" requirements for commercial speech are not subject to "a strict 'least restrictive means' analysis. . . ."[50] We believe that the guidelines as to the information which must be provided to consumers are a permissible, minimally intrusive form of directing the manner in which that information is presented and of assuring that consumers are not misled or deceived about the function of the input selector switch requirement and the meaning of and impact which the interim must carry rules and their expiration may have on their viewing choices and habits. In reaching this conclusion, it is important to point out what the consumer education requirements do *not* mandate. We are not attempting to confine or limit the commercial expression of cable operators on particular issues.[51] or to particular language in describing features and effects of the new rules, but, rather, we seek to provide only a measure of accuracy with regard to commercial information disseminated in one area—that of the general requirements and possible effects of our two-part regulatory program. Similarly, we do not attempt to circumscribe what may be said about the two-part program, but only require, in the interest of educating video consumers who are cable subscribers, a minimum of information about how our new regulations may affect their ability to receive local television signals. Consequently, these information requirements are narrowly tailored to serve the important commercial speech objective of "assist[ing] consumers and further[ing] The societal interest in the fullest possible dissemination of information,"[52] dur-

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[49] *See Virginia Board of Pharmacy, supra* n. 24, at 771-772.

[50] *Zauderer, supra* at 2282, n. 14.

[51] *Cf. First National Bank of Boston v. Bellotti*, 435 U.S. 765 (1978).

[52] *Central Hudson, supra* n. 32, at 561-562.

ing the transitional period to a video marketplace free of mandatory carriage requirements.[53]

79. Finally, we believe that the substantial modifications to the input selector switch requirements we are making herein will resolve Adelphia's concerns that the input selector switch requirements adopted in the *Report and Order* contravene Sections 622 and 623 of the Cable Act. The revised switch requirements will not restrict the amount cable systems may charge for services and/or equipment. Further, neither the input selector switch requirements nor the interim must carry rules impose any new requirement regarding the content of cable services as addressed by Section 624 of the Cable Act. As we noted in the *Report and Order*, we believe that the specific reference to the former must carry rules by the House Report

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[53] Texas Cable claims that the consumer education program also is inconsistent with our decisions to eliminate various policies regarding trade practices of broadcasters under our "underbrush" proceedings and with our 1985 finding that the fairness doctrine is contrary to the public interest. We observe that the underbrush decisions eliminated policies that often were not under this Commission's areas of expertise and/or were duplicative of other policies. Where alternative remedies or market forces would serve to deter an undesired practice, we eliminated the policy in question. *See e.g., Elimination of Unnecessary Broadcast Regulation*, 57 RR 2d 913 (1985), *recon. denied*, 58 RR 2d 864 (1985), *aff'd sub nom. Telecommunications Research and Action Center v. FCC*, 800 F.2d 1181 (D.C. Cir. 1986). In contrast, as we have determined in this proceeding, the must carry matter requires our intervention to assure that the information disseminated to subscribers is consistent with implementation of the rules and policies adopted herein. Moreover, we find no correlation between the informational requirement here and rules that we have raised questions about relating to regulatory oversight of the correct balance of coverage of particular kinds of issues by broadcasters. The latter concerns not factual "disclosure requirements for business corporations," *Pacific Gas and Electric*, 106 S.Ct. at 911, n.12, but speech regarding matters of public concern, which is entitled to the highest degree of encouragement and protection. *See 1985 Fairness Report*, 102 FCC 2d 143, 149-50 (1985).

on the Cable Act[54] expresses Congress' intention that we had, and continue to have, the authority to promulgate regulations to further the substantial Federal interests at issue in this proceeding, including the authority to use must carry rules and to amend them if necessary.[55] Consequently, the adoption of interim rules is well within our discretion under the Cable Act and, moreover, does not constitute a "new" addition to the content of cable services within the meaning of Section 624 of the Act.[56] On the contrary, the new rules require considerably less to be carried than the former rules.

Basic Policy Rule Modifications

80. While we remain confident that the basic elements of our regulatory program are practically, technically and legally feasible means for achieving our policy objectives, we find that certain features of that program should be modified to accomplish better those objectives. In particular, the input selector switch rules, as adopted, may impose burdens on cable operators that are greater than necessary to correct the viewer misperception problem and also may tend to limit cable operators' and consumers' flexibility to choose switching equipment appropriate to their specific circumstances. Also, the consumer education requirements may not provide cable operators sufficient

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[54] "Regulations which relate to the content of cable service and which remain in effect include the FCC's must-carry requirements." H.R.Rep. No. 934, 98th Congress, 2d Sess. at 70 (1984).

[55] *Report and Order* at 896. In this connection, we observe again that the *Quincy* court ruled only that The must carry requirements at issue there were unconstitutional, and expressly reserved judgment on the question of whether any must carry requirements could pass constitutional muster.

[56] The fact that the *Quincy* court vacated the rules does not alter this conclusion. Section 624(f)(2)(A) of the Cable Act prohibits only the adoption of new content regulations not in effect on September 21, 1983. The must carry rules were undisputably in effect on that date.

flexibility to tailor their information programs to their systems' circumstances. Finally, some aspects of our program require clarification.

81. In considering petitioners' statements with respect to input selector switch costs, we recognize that the rules as adopted may impose substantial financial burdens on cable operators. These rules not only would require cable systems to bear all of the costs associated with equipment and installation for new subscribers, but also would require them to provide switches in cases where subscribers might not want them. We also note petitioners' point that the rules would require switches to be provided in areas where there are no broadcast signals available off-the-air, such that the switches would serve no useful purpose.

82. In addition, upon further reflection on this issue, we find that the rules tend to limit incentives and flexibility for cable operators to provide a range of switching equipment to meet varying subscriber preferences and to ensure better switch compatibility with video peripheral equipment, such as VCRs, and specific video equipment features. By requiring that switches be provided at no charge or at cost, the rules reduce cable operators' economic incentives to offer switch options with premium features, such as electronic operation or remote control capability, or to offer upgraded terminal/converter devices that include built-in switches. Subscribers will be more likely to maintain and use independent off-the-air reception capability if the associated input selector devices are compatible with their needs and otherwise convenient to use. Moreover, the record demonstrates that there are other advantages to the more expensive electronic switches, including longer lifespan and better isolation. Obviously, cable operators may not desire to provide these switches free of charge.

83. In view of these considerations, we are adopting substantial revisions to the input selector switch require-

ments that are generally consistent with the approach suggested by CCTA. Under the revised rules, cable systems will be required to offer switches to new and existing subscribers, but will be permitted in all cases to charge for the purchase or lease of switches and associated hardware. In addition, cable systems will be permitted to charge for installation of switches for existing subscribers. There will be no "at cost" restriction on pricing of either the equipment or its installation for existing subscribers. However, cable systems will not be permitted to charge an additional fee strictly for installation of switches for new subscribers. We believe the incremental labor necessary to include a switch along with installation of other equipment for new subscribers is minimal and that to provide installation at no additional charge will assist in encouraging new subscribers to acquire a switch. Cable systems will be required to make an affirmative switch offer to their subscribers in accordance with our original plan; however, the rules also will include language to clarify that subscribers may decline the switch offer and are not otherwise obligated to install or maintain off-the-air reception capability. Also, we wish to clarify that consumers may use switches and associated hardware obtained from sources other than their cable system. We believe this will provide a proper competitive balance in the marketing of input selector equipment to limit the price of switches. We are making these changes in order to encourage flexibility in the range of switch options available to subscribers, so that we do not inadvertently encourage use only of the non-state-of-the-art mechanical "A/B" switch, and in order to greatly reduce the financial burden imposed on cable operators. By this change, not only will cable operators not be responsible for bearing the costs of switches and their installation, but they will not be required to provide switches To subscribers who do not need them, for example, because their reception of off-the-air signals is weak or non-existent.

84. We agree with petitioners who argue that there is no need to require input selector switches or consumer education in areas where there are no broadcast signals available off-the-air. Accordingly, we will exempt cable systems that are located in such areas from any requirements under the rules adopted in this proceeding. The most reliable general indicators of whether a broadcast station's signal is generally available off-the-air in a particular area are its Grade B predicted contour and whether it is "significantly viewed" in the cable community.[57] These are the indicators of available off-the-air signals we adopted for use in determining whether cable systems are subject to effective competition for basic service as part of our implementation of the Cable Communications Policy Act of 1984 in MM Docket No. 84-1296.[58] These two indicators are also appropriate for use in determining signal availability for purposes of the exemption from the switch and consumer education rules. The Grade B contour of a station is the standard relied on to determine expected service areas. Also, we recognize that in many cases, a television station's signal may be viewable off-the-air at distances beyond its Grade B contour. In the latter case, reception of the station's signals is generally less reliable with ordinary roof-top antennas and may require special equipment. Areas beyond a station's Grade B contour where its signal is available with ordinary equipment or where the population has tended to install Special antennas and other equipment necessary to ensure reliable reception can

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[57] As defined in Section 76.5(k) of our rules, a station is significantly viewed if its audience in noncable households meets or exceeds the following levels: 1) for full or Partial network affiliated station—a share of viewing hours of at least 3 percent (total week hours), and a net weekly circulation of at least 25 percent; and, 2) for an independent station—a share of viewing hours of at least 2 percent (total week hours), and a net weekly circulation of at least 5 percent. *See* 47 CFR §§76.5(k) and 76.54.

[58] *See Report and Order* in MM Docket No. 84-1296, 58 RR 2d 1 (1985).

be identified by whether the station is significantly viewed in the area. Thus, the rules will exempt any cable system serving a community where no portion of that community is within the predicted Grade B contour of at least one full service broadcast television station or a noncommercial educational translator station eligible for must carry status and no such stations are significantly viewed in the county in which the cable community is located.

85. There also may be situations where the Grade B contour of one or more broadcast stations overlaps all or a portion or the cable community, yet the signals will not be viewable in that area due to terrain shielding or other factors. In such instances, the cable system operator may submit showings and engineering studies that the signals are not available anywhere within the cable community. Such submissions shall include studies made in accordance with Section 73.686 of our rules.[59]86. We also recognize that there may be instances where a new broadcast station, existing broadcast station with newly upgraded facilities, or existing station that becomes significantly viewed will provide service to a community served by a cable system previously exempt from the rules. Where such a situation occurs prior to the expiration of the five-year transition period, the cable system at that time will be required to comply with all aspects of the rules as adopted in this proceeding. Where such a situation occurs subsequent to the expiration of the transition period, the cable system will be required to comply only with the consumer education rules that continue beyond the five year period.

87. We also acknowledge the concern expressed by some petitioners that the available supply of input selector switches may not be adequate to enable cable operators to begin providing switches to new subscribers within 30 days of the release of the instant decision, when the rules

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[59] *See* 47 CFR §73.686.

would become effective, as stated in the *Order* staying their effective date.[60] We recognize that the production and distribution systems for supplying input selector switches and associated equipment may need some time to catch up to the increased demand for this equipment and to meet the switch technical standards to be adopted pursuant to the proceeding will initiate shortly as discussed below. Additional time also would enable cable operators to more fully plan their activities for complying with the new rules. Accordingly, the requirement for offering switches to new subscribers will be delayed for six months after the effective date of these rules in the same manner as the requirement for offering switches to existing subscribers. However, cable operators will be required to inform new subscribes at the time of installation of service of the need to maintain off-the-air reception capability and to provide the other information required by the consumer education requirements immediately upon the effective date of the rules.

88. In considering the signal leakage issue discussed above, we recognize that there may be some cases where consumers install switches improperly or switches fail and signal leakage results. Cable systems will be responsible for detecting and eliminating signal leakage in excess of the standards set forth in Sections 76.605 and, after its July 1, 1990 effective date, 76.611 of our rules resulting from input selector switches regardless of whether the switches are owned or installed by subscribes. Cable systems already are required to conduct systematic performance checks of their facilities under Section 76.601 and, thus, this requirement will not substantially alter the regulatory burden on able operators. Moreover, the typical cable subscriber does not have the technical expertise or equipment to detect signal leakage. We also recognize the importance to life and safety of preventing signal leakage

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[60] *See Order supra* at n. 3.

on the aeronautical frequencies and that in general cable systems will be the only entities qualified and equipped to detect Such signal leakage. Cable operators' responsibility in this regard will be limited to the minimum necessary to detect and eliminate signal leakage in excess of that permitted under the rules. In cases where such leakage occurs, cable operators will be required only to disconnect or, if ultimately necessary, discontinue service to the subscriber until the leakage problem is corrected. Cable operators will not be restricted from charging for services and hardware associated with correction of switch leakage, including the replacement, repair, or proper installation of the switching equipment.

89. As indicated above, we do not want the revised switch requirements to provide cable systems with economic advantages that might permit them to charge excessive prices for switches and installation or otherwise to be less attentive to consumer needs in this area. As an additional measure to limit this advantage, it is necessary to include provisions in the consumer education rules to require cable systems to include as part of their program a statement that switches may be obtained from other suppliers. Cable systems also will be required to indicate that there are a range of possible switch options, including, for example, simple cable/broadcast manual, multiple source input switches, electronic switches, remote control switches, and receivers with built-in switching functions. They will further be required to state that the list of switch options indicted is only representative of those that may be offered and that other options also may be available.

90. In view of the importance of consumer education to the achievement of our goal of correcting viewers' misperceptions about the need for independent access to off-the-air broadcast signals, we plan to maintain the consumer education program as a continuing requirement beyond the five-year transition period. However, we recognize that this requirement imposes some burden on cable op-

erators. Therefore, we would expect to revisit the need for continuing the consumer education requirement as part of the proceeding announced in the *Report and Order* and which we plan to complete prior to the expiration of the transition period, to determine whether there are particular situations where must carry rules might continue to be necessary.

91. We believe this revised approach effectively will eliminate the major portion of the financial burden imposed on cable operators by our original decision. It also will eliminate the requirement for switches to be provided in situations where they would not be used. In addition, the revised switch requirements will provide cable operators with the incentives and flexibility to offer a wider range of switch options to meet varying consumer needs. These rule modifications will not compromise our objectives To change consumers' misperception of the need for maintaining access to off-the-air broadcast signals and to assist consumers in obtaining or reestablishing that access. Our objective of correcting this misperception will be achieved so long as consumers are made aware of the need for independent access to broadcast signals through the consumer education program, are provided an affirmative opportunity to obtain a switch, and are provided sufficient time to reinstall an antenna if they so wish. Our revised approach in fact will enhance the effectiveness of our overall program by aligning it more closely with the reality of market forces. In this respect, the revised rules will rely on market forces, as represented by consumer decisions on whether to obtain a switch and the type of switching equipment they need or prefer, to determine both the pattern of switch penetration and the type of equipment that is used.

TECHNICAL STANDARDS FOR INPUT SELECTOR SWITCHES

92. Gill Industries, Inc. (Gill), operator of a cable system with dual cables utilizing A/B switches for cable selection argues that we should adopt specific technical standards for input selector switches. Gill submitted the results of a study completed on December 30, 1986, wherein the interference effects of A/B switches were examined. Gill examined switches in both subscribers' homes and in the lab. It states that using switches to connect antennas to its system in many cases caused noticeable, objectionable interference to the reception of cable signals by subscribers and to the reception of off-the-air TV signals by non-subscribers. Gill further states that use of antenna/cable input selector switches will probably cause signal leaks which will raise its cumulative leakage index above the limits established by Section 76.611 of the Commission's Rules. Finally, Gill submits that in homes equipped with outdoor antennas, the antenna/switch isolation must be at least 80 dB to avoid individual leaks that will exceed the 20 uV/m standard for cable systems imposed under Section 76.605(a)(12) of the Rules. It states that by its tests, it found that in approximately 50 percent of its installations the addition of a switch and antenna will result in only 45-50 dB of isolation. Gill claims that its tests demonstrate that the input selector switch rules as now structured will result in significant signal reradiation, which is incompatible with the maintenance of a clean Rf environment for off-the-air TV reception, and with the Commission's policy of protecting aeronautical navigation and communications frequencies.

93. Gill therefore requests that the commission modify its input selector switch rules to: 1) require all equipment connected to a cable system to meet the signal leakage limits now in the Commission's Rules; 2) require, in the case of new subscribers, that cable operators connect an

input selector switch to the cable system and to an off-the-air antenna, with the subscriber's consent, at cost, using equipment that meets Part 76 standards; 3) require all input selector switches and their connections to meet an 80 dB isolation standard; 4) permit only coaxial antenna cable to be used in the case of rooftop antennas; 5) permit use of only "rabbit-ear" antennas with coaxial cable downleds, given their relative radiating inefficiencies and the short length of the connecting wire; and. 6) permit cable operators to install input selector switches in the homes of existing subscribers who request a switch, at reasonable cost, using equipment that meets Part 76 standards.

94. We continue to believe that the technical standards applied to TV interface device transfer switches as set forth in Section 15,606 of the Rules are sufficient to ensure that properly connected input selector switches do not cause interference to cable or off-the-air reception or otherwise permit harmful signal leakage.[61] These standards were established in earlier Commission proceedings[62] and, in view of the fact that no interference complaints have been filed with this Commission that have been lined to switching devices, the existing standards appear to be sufficient to provide the level of isolation necessary to protect against interference. However, we recognize the concerns expressed by Gill and others in this proceeding for possible interference, particularly on the aeronautical communications and navigation frequencies, that might result from use of switches that are inadequate to prevent significant signal reradiation. We find that the important nature of this issue warrants the provision of additional opportunity for interested parties to comment and to submit evidence. Accordingly, we will issue a separate Notice of Proposed Rule Making to consider standards for input selector

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[61] 47 CFR §15.606.

[62] *See Report and Order* in Docket No. 19281, 38 FCC 2d 430 (1972).

switches used to alternate between cable and broadcast television service. This new proceeding will be limited to issues associated with technical standards for broadcast/cable input selector switches. We intend to complete this proceeding in an expeditious manner in order that manufacturers will be able to supply switches in accordance with the scheduled implementation of the new rules as set forth herein. Consistent with this action, we vacate the new Section 76.66(b) adopted in the *Report and Order* which would have required that all switches used to select between broadcast and cable service comply with the technical standards of Section 15.606(a) of the rules.

REVISIONS TO THE CONSUMER EDUCATION REQUIREMENTS

95. In their joint supplemental petition, NCTA and CATA request that the Commission revise the information statement requirement now set forth in Section 76.66(c) of the Rules. This rule section prescribes the consumer education information that cable operators are required to provide to new subscribers at the time of installation, and to all subscribers on an annual basis. Under the new rules, as adopted in the *Report and Order*, this information statement must consist of a brief, general description of the Commission's signal carriage rules and the purpose of input selector switching devices, followed by a list of the local broadcast stations not carried by the system and the name and telephone number of a contact person representing the system. NCTA and CATA specifically object to the requirement that all local broadcast stations not carried by the system be contained in the information statement. NCTA and CATA state that the term "local broadcast station" is nowhere defined and will cause uncertainty among system operators about which stations are to be included. Additionally, any such list, NCTA and CATA maintain, will inevitably be overinclusive, underinclusive, or both, due to the locations of particular sub-

scribers and changes in the list during the year due to stations signing on-the-air or going dark. NCTA and CATA also object to the inclusion of specific suggested wording for the consumer education program as "regulatory micromanagement" virtually certain to cause confusion among operator and their subscribers. In place of the current requirement, these petitioners suggest that systems merely be required to supply their subscribers with general information about the Commission's rules and the availability of broadcast signals over the air. Specifically, systems would be required to notify their subscribers that: 1) under Federal regulations, the system must carry a certain number of local broadcast signals; 2) systems may choose to carry additional broadcast signals; 3) there maybe other local broadcast stations not carried by the system that could be received off-the-air with appropriate equipment; 4) 'appropriate equipment' may include an off-the-air antenna and/or an input selector switch; 5) in the event of an equipment outage, antennas and switches also can be used to receive some or all of the broadcast stations carried on the system; and, 6) more information on the availability of off-the-air reception to a particular location can be obtained from a television station, an antenna supplier, or an electronics store.

96. Spanish International Communications Corp. and Spanish International Network (SICC) generally applaud the Commission's consumer education program. SICC believes that this approach satisfies the interests of consumers, safeguards the First Amendment rights of cable operators, and ultimately will work to maximize viewer choice through the workings of the marketplace. However, SICC observes that consumer education is only as successful as the ability of consumers to understand the information being disseminated. Therefore, SICC urges the Commission to require cable systems to provide consumer education notices in English and in a foreign language in communities with sizeable foreign-language speaking pop-

ulations. As a means of determining whether such a population exists, the Commission should look to the existence of a full-time foreign language television station. To ease the administrative burden, cable systems could rely on the local foreign language station to provide accurate translations of the consumer education notice, and SICC thinks the Commission should encourage dialogue between cable operators and television station managers to facilitate this effort.

97. In view of the changes we are making with respect to the basic provisions of our policy as discussed above, it is necessary to make a number of changes in the consumer education requirements. We agree, moreover, with NCTA and CATA that the current specification of the consumer information requirements in the form of specific suggested language in the rules may inhibit a cable system's understanding as to the flexibility in presenting the required information in the manner that best suits its particular situation. Accordingly, we are revising the rules to state the consumer education requirements in general terms.

98. However, we are not persuaded that we should eliminate the requirement for cable systems to identify available off-the-air full service station signals that they do not carry. Such identification is necessary for consumers to know which signals they will need to access off-the-air. In examining this requirement, we find that certain clarifications are necessary. We recognize that the rules, as adopted, did not define "local broadcast" for this purpose. It is our intention that subscribers be made aware of all signals that *may* be available to them off-the-air but are not carried on their cable service. This is consistent with our stated goal of maximizing viewer access to program services. We believe that criteria to be used in determining off-the-air signal availability for exemption from the two-part program requirements, i.e., predicted Grade B contour and significantly viewed, also are appropriate for de-

termining signals that may be available for purposes of the consumer education program. Accordingly, cable systems will be required to list those broadcast stations they do not carry whose predicted Grade B contours overlap any portion of the cable community or are significantly viewed in the county. Cable systems will not be required to notify subscribers of changes that occur throughout the year in the stations that maybe available off-the-air and not carried. Rather, the identification of such stations will be part of the annual consumer education requirement and will be required to be current to within one month of the date the annual distribution of that information. The rules also are modified to provide that such stations be identified by both call sign and channel number. This will ensure that subscribers are able to recognize the listed stations.

99. Under the consumer education requirements we are adopting, cable systems will have flexibility to provide the required information in foreign languages and, where it is warranted, should have the incentive to do so in order to be responsive to subscribers' needs. We do not find it is necessary to require cable systems to provide consumer education in both English and a foreign language in communities with sizeable foreign language speaking populations.

100. The following is a summary description of the revised consumer education requirements. Cable systems will be required to inform their subscribers, on an annual basis, that: 1) for the next few years, they may not be required to carry all broadcast signals available off-the-air in the community; 2) after FILL IN EXPIRATION DATE They will no longer be required to carry any broadcast signals; and, 3) it may be necessary to use an antenna in conjunction with an input selector switch up access broadcast signals available off-the-air and not carried by the cable system. In addition, cable systems will be required to describe the function of an input selector switch, explaining the differences between mechanical and electronic switches,

and the fact that use of either type of switch will aid the viewer in obtaining independent access to off-the-air television service. Further, cable operators will be required to inform subscribers that a range of input selector switches may be obtained from sources other than the cable system. Finally, cable operators will be required to identify by call sign and channel number any broadcast television signals that may be available off-the-air in their community that they do not carry.

101. This consumer education information must be provided to all nw subscribers at the time of installation of the cable service and to existing subscribers that do not have input selector switches within six months after the effective date of the new rules and thereafter on an annual basis. This will be a continuing requirement that will not expire at the end of the five year transition period. This annual consumer education requirement and the annual input selector switch offering may both be satisfied by including the information in monthly subscriber billings or other mailings.

REVISIONS TO THE INTERIM MUST CARRY RULES

102. Numerous petitioners seek clarification of, and suggest modifications to, specific provisions of the interim must carry rules, including the standards for qualified status, the definitions of tier of cable service and useable activated channels, the nonduplication, sunset and dispute resolution provisions, the provisions respecting carriage rights of noncommercial educational stations, commercial and noncommercial translators and satellite stations, and the exceptions for carriage and copyright payments.

Qualified Stations

103. *Viewing Standard.* Several petitioners address the requirement that in order to qualify for must carry status, commercial broadcast stations (other than "new stations") must attain at least an average share of total viewing

hours of two percent and a net weekly circulation of five percent in noncable households in the county where the cable system is located.

104. INTV seeks clarification of the viewing standard to recognize the carriage rights of stations for which "television survey season" ratings as defined in Section 76.55 of the rules are unavailable because adequate numbers of complete diaries are not returned by noncable television households. It proposes that Section 76.55 provide that once a station achieves qualified status for mandatory cable carriage eligibility, the station then maintains that status until a county coverage report containing adequate audience measurement data for a survey season shows that it no longer meets the viewing standard. INTV also proposes that in cases where adequate ratings data has never been available for a station, the station be permitted to utilize a special survey conducted by an independent audience survey organization that follows a methodology comparable to that used by recognized ratings services such as Arbitron and Nielsen.

105. While published audience data is available or nearly all broadcast stations, we recognize INTV's point that broadcast stations in the few areas where published audience survey data are not available would face a considerable burden in demonstrating that they meet the viewing standard on an annual basis. We find it desirable to permit broadcast stations to qualify for carriage rights for the remainder of the transition period once they initially demonstrate that they meet the viewing standard. However, we believe it is necessary balance this presumption of qualification with a means to permit cable systems to cease carriage of a station that no longer meets the viewing standard. On this basis, we are amending the qualifying station provisions to specify that stations are not required to reconfirm that they meet the viewing standard on a regular, recurring basis. However, at any time after one year from the time a station demonstrates that it meets

the viewing standard, a cable system may nullify the station's must carry eligibility if it demonstrates, using the methodology specified in Section 76.55 of the rules, that the station no longer meets the viewing standard. In response to INTV's request concerning special audience surveys, we observe that the rules, as adopted, plainly indicate that stations may utilize such special audience surveys to demonstrate that they meet the viewing standard.

106. Adelphia seeks modification of the viewing standard to allow for the use of community-specific audience measurement data in establishing or rebutting a station's status as "qualified". Adelphia claims that the use of such data would further the interests of the viewing public by qualifying stations in communities Where they actually have substantial viewership but might be unable to meet the two percent/five percent standard on a county-wide basis due to geographical factors such as size and terrain conditions. In addition, it asserts that use of a community-specific survey would relieve cable operators of the obligation to carry stations that do not have significant viewership and whose carriage would thwart viewer preference. We do not believe it is desirable to allow the use of community-specific data to measure audience data for viewing standard purposes. As indicated above, the regularly published reports of the major audience ratings services generally provide a convenient means for nearly all stations nationwide to demonstrate whether they meet the viewing standards. We believe that to permit use of community-based audience studies would not further the purposes of the interim must carry rules. Rather, to allow use of such surveys likely would result in widespread increased survey efforts on the part of both broadcasters and cable operators that would be costly and, thereby, would have the effect or subjecting the affected parties to unnecessary additional burden. Moreover, we believe that the requirement that qualifying stations deliver a good quality signal

to the principal cable headend will suffice to limit carriage to those actually receivable off-the-air.

107. Lincoln Broadcasting Company (Lincoln), the licensee of station KSTF-TV, requests that the viewing standard be modified to exempt any commercial station that certifies it broadcasts foreign language programming during at least one-third of the hours of an average broadcast week and one-third of weekly prime time hours. It states that the survey Services and methods prescribed by the new rules do not accurately measure foreign-language speaking viewership and, thus, without this exemption, foreign language programming stations will not be able to establish qualified status. Lincoln asserts that the use of special surveys to measure these audiences is prohibitively costly and subject to challenge based on methodology. It states that even if these hurdles could be overcome, stations would be unable to meet the viewing standard requirements until they have completed a full year's cycle of special surveys. Thus it requests that if its proposed exemption is not adopted, foreign language stations should be exempt from the viewing standard for at least one year from the effective date of the rules. Lincoln also requests that in the event the Commission elects not to change its rules in either of the above manners, that its petition be construed as a request for special relief regarding the viewing standard aspect of the interim must carry rules.

108. In developing the criteria for qualifying stations, we carefully crafted the new rules to avoid special carriage rights for stations based on their programming. Such preferred treatment tends to conflict with the strict content-neutral requirements of the First Amendment with respect to regulation that furthers a substantial governmental interest. We believe that to provide an exemption for foreign language stations from the viewing standard as requested by Lincoln would create a content-based provision of the type it is necessary to avoid. Moreover, we do not believe that such a general exception is essential to our objective

of preserving the commercial broadcast system as a competitive alternative source of programming during the transition to an environment without must carry rules. We also believe that the modifications to the viewing standard procedures we are making herein, as discussed above, will reduce the burden on stations that can only demonstrate that they meet this standard through special surveys. Lincoln's alternative proposed basis for special carriage rights— its difficulty obtaining the necessary viewer showing— thus also does not persuade us that different carriage rights are warranted. Accordingly, we are denying Lincoln's request.[63]

109. Adelphia believes that the definition of qualified station unconstitutionally limits the editorial discretion of cable operators located near foreign borders by making stations licensed by foreign governments ineligible for qualified must carry status. It also claims that to deny qualified status to foreign stations frustrates the viewing preferences of cable subscribers. Adelphia illustrates the problem as one facing cable systems located near foreign borders where their channels are occupied such that not all qualified stations are being carried. It states that in order to meet their must carry obligations, such cable systems may be forced to drop stations now carried that meet the mileage and viewing standards, but do not qualify for mandatory carriage because they are licensed by a foreign government. Adelphia requests that carriage of foreign-licensed stations which in all other respects satisfy the

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[63] Lincoln also requests that in the event the Commission elects not to change its rules in either of the above manners, that its petition be construed as a request for special relief regarding the viewing standard aspect of the interim must carry rules. We have decided not to rule on Lincoln's request for special relief as part of the instant Memorandum Opinion and Order, but will instead consider this request in a separate action. Our action herein is not intended to prejudge our separate action on Lincoln's request for special relief.

qualified station standard count toward fulfilling a cable system's required must carry complement.

110. At the outset, we observe that we crafted the interim must carry rules so as to require that only a limited portion of a cable system's channel capacity be devoted to mandatory signal carriage obligations. We believe, as discussed in the *Report and Order* and above, that these provisions are consistent with the *O'Brien* standard. Thus, the interim rules do not preempt cable operators' discretion to carry other video program services such as station licensed by foreign governments. Moreover, we believe that cable operators' editorial discretion is sufficient to ensure that they are able to tailor their mix of program services to meet subscriber preferences. In addition, the federal interest in ensuring that the broadcast television industry remains a competitive source of alternative programming during the transition period does not extend to service provided by stations licensed by foreign governments. The Communications Act nowhere contemplates access to foreign stations as an element of the national communications policy.

111. NITC believes that the viewing standard should be deleted on the grounds that it establishes unconstitutional classification preferences. It states that the viewing standard is a "popularity test," which, on the basis of ratings, subordinates the rights of one group, the less highly rated, to those of another group, the more highly rated, in violation of the First Amendment. NTIC claims that the viewing standard will cause particularly great harm to independent local stations that have to compete for audience with the often duplicative programming of distant broadcast stations or non-broadcast cable networks. NITC also states that similar harm would befall minority broadcasters who serve smaller audiences that are not measurable by the prescribed methodology but are significant nonetheless. It also asserts that the viewing standard fails to specify certain methodology requirements and, thus, it is imper-

missibly vague. SICC also believes that the viewing standard should be deleted from the interim must carry rules. It claims That the viewing standard, as measured by commercial ratings services, does not accurately reflect foreign language television viewing. Thus, SICC states that elimination of the viewing standard would avoid its discriminatory impact on eligibility for mandatory carriage in a manner more consistent with the First Amendment concerns of the *Quincy* court.

112. We reject petitioners' arguments that the viewing standard is unconstitutional and should be deleted from the interim must carry rules. The viewing standard does not establish classification preferences, but instead ensures that viewer program choice is reflected in the transitional period. As we stated in the *Report and Order:*

> [T]he economic effect of the rules on any individual station is not our primary concern. On the contrary, requirement that failing stations be carried might be inimical to the public interest, in that we might well be requiring cable systems to carry stations the public did not want to watch, thereby preventing the cable system from offering a program service the viewers preferred. This would run directly counter to the *Quincy* court's concern that our former must carry rules were unresponsive to consumer preference.[64]

Further, we continue to believe that the viewing standard is an accurate and appropriate means for identifying those stations that consumers prefer to watch. NITC, Lincoln, and SICC have not provided any evidence to persuade us that minority or foreign language audiences are unmesurable. Accordingly, the viewing standard, as adopted in the *Report and Order*, will be retained as part of the interim must carry rules.

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[64] *Report and Order, supra* at 895, n. 170.

113. In their supplemental petition, NCTA and CATA request that Sections 76.5(d) and 76.55 of the new rules be clarified to reflect the language in the *Report and Order* providing that commercial broadcast stations must meet the viewing standard for the *previous* television survey season. Reference to the "previous" television survey season was inadvertently omitted from the rules. Accordingly, the rules will be revised to correct this omission.

114. NCTA and CATA also object to the exemption of new stations from the viewing standard for 12 months following the date on which they begin operations pursuant to program test authority, and the "grandfather" provision for stations which commenced operations after July 19, 1985. They claim that these provisions do not pass constitutional scrutiny on the grounds that by creating long exemption periods, the rules are not sensitive to viewer preferences and unduly burden nonbroadcast cable services which must compete for cable carriage. NCTA and CATA seek modification of these provisions in accordance with the joint industry agreement proposal that new stations be permitted to satisfy the viewing standard by means of a special survey taken at anytime prior to completion of the first full television survey season following commencement of operations. They also request clarification that a station can be considered "new" only once and, thus, operational modifications such as increases in power and changes in antenna design and transmitter location, do not transform existing stations into new station for purposes of the interim must carry rules.

115. In the *Report and Order,* we indicated that we found it necessary to exempt new stations from the viewing standard in order to afford them an opportunity to gain a foothold in the market, thereby furthering our interest in maximizing program choices. We disagree with NCTA and CATA that the one year exemption for new stations and the extension of this exemption to stations commencing operation after July 19, 1985, are unconsti-

tutional. These provisions are not content-based and are narrowly tailored to further our interest in maximizing consumers' program choices. The one year period will afford new stations a reasonable period of time in which to stabilize its operations and to establish an audience for its programming. We do recognize petitioners' concern that operational changes by stations might appear to requalify them for "new" station status. Accordingly, we wish to clarify that stations will be eligible for "new" status only once, upon commencement of their initial program test authority. A major change in facilities will, therefore, not qualify a station for "new" station carriage rights.

116. WLIG requests that the exemption of new stations from the viewing standard be expanded. It argues that such stations do not have the viewership or financial ability to secure carriage on cable systems that may choose from among more than seven qualified signals to meet their must carry requirements. WLIG also contends that new stations need the fair opportunity that cable carriage can provide to help them survive in the currently unbalanced television market environment. Thus, it requests that the rules be modified to define as "new" those stations that began operations for the first time after January 1, 1983, and to require cable carriage of such stations for the full interim period of five years. WLI states that this definition of "new" would include approximately 96 commercial stations and that the five year period coincides with The interim period needed to achieve maximum diversity by reliance on market forces.

117. As indicated above, we believe that the exemption of new stations from the viewing standard is a necessary means to further our interest in maximizing viewers' program choices. However, we disagree with WLIG's argument that this exemption should be expanded. As indicated above, the one year period provides a reasonable amount of time for new stations to gain a foothold in the market. After this time a station and its programming can be

expected to overcome the initial hurdle of becoming familiar to potential viewers such that the size of its audience will be a reflection of the appeal of its programming rather than its new entry to the market. A one year limit on the exemption from the viewing standard also is consistent with our concern for minimizing the intrusiveness of the interim must carry rules on cable operators' First Amendment rights. Moreover, it is appropriate to extend this exemption to stations new as of July 19, 1985, the date of the *Quincy* decision, to provide cable subscribers an opportunity to become familiar with stations that may not have been carried after the former must carry rules were ruled unconstitutional. To grant this exemption to stations new prior to July 19, 1985, is unwarranted as such stations would have been entitled to carriage under the former must carry rules.

118. *Definitions.* WLIG also requests that use of the principal headend of the cable system as the reference point for calculation of the required 50-mile zone be replaced with a "home county carriage" provision, under which cable systems first would be required to carry stations licensed within the county to which the cable system is franchised as part of their 25 percent must carry complement. WLIG states this definition would prevent cable systems from circumventing Commission intent and frustrating the statutory purposes of local franchising by designating a particular headend as "principal" in order to reduce the number or makeup of broadcast stations within the 50-mile zone.

119. We are not persuaded that we should adopt WLIG's "home county carriage" approach as an alternative to use of the cable system's principal headend as the geographical reference point for signal carriage requirements. In this respect, we continue to believe that use of the principal cable headend as the designated reference point is the most appropriate means for determining signal carriage obligations. We are aware that many cable systems operate

multiple headend facilities and that it may be possible in some cases to choose a particular headend as "principal" in order to limit the number of broadcast stations eligible for must carry status. However, we believe it is important to provide cable operators with flexibility in this area an entrust to them responsibility for choosing their principal headend in a manner consistent with the spirit of the interim rules. Thus, we will continue to permit cable operators to use their discretion in designating their system's principal headend. While we expect cable operators will exercise this discretion in good faith, we will investigate and consider appropriate action on a case-by-case basis Where cable operators appear to be abusing this discretion by designating their principal headend so as to avoid signal carriage obligations.

120. Several petitioners request modifications to the rule providing that cable systems are required to carry qualified signals on their "lowest-priced Separately available tier of service." The Corporation for Public Broadcasting (CPB), the National Association of Public Television Stations (NAPTS) and the Public Broadcasting Service (PBS), filing jointly [CPB], and INTV request that the Commission clarify that when must carry signals are carried on a tier requiring use of a converter to receive qualified broadcast signals, the converter must be available at no cost additional to that charged for the lowest-priced tier which does not require use of a converter. CPB also requests clarification that where program services are available on separate tiers at a cost lower than the basic programming tier that includes broadcast stations, such "add-on" tiers do not qualify as a permissible must carry tier.

121. In a similar vein, Adelphia objects to the lowest-priced separately available tier definition on the grounds it does not take into consideration cable operators' need for flexibility to offer separately available multi-pay package of the add-on type described by CPB. It requests the rule be modified to define "tier" as "two or more video

program services which are not otherwise available individually." Adelphia states that this definition would ensure that qualified stations are carried on a tier of service most likely to have the widest distribution to cable subscribers and that cable operators would have maximum flexibility to package and market non-basic services in a manner most responsive to marketplace demands. WLIG also opposes the "lowest-priced" definition on the grounds it is subject to potential abuse. It states that cable operators could create a separate tier that included only must carry broadcast signals and price it slightly below the cost of the "true" basic tier which would include broadcast signals, satellite networks, and other services. Must carry signals that the cable operator did not want to provide its subscribers would not be carried on the slightly higher-priced tier. Subscribers effectively would be denied access to the full complement of must carry signals because they would not be willing to pay the price of a full tier of service to obtain access to only a few additional signals. WLIG states that this problem could be avoided by use of the already defined phrase "basic cable service" or by substitution of the phrase "most widely subscribed" for the phrase "lowest-priced."

122. We recognize that there may be confusion concerning the tier of service on which must carry signals are required to be carried. In the *Report and Order*, it was our intention to require that all must carry signals be provided at no additional cost to subscribers who purchase a tier of service on which any of the must carry signals are carried. Thus, we required that must carry signals be carried on a cable system's "lowest-priced separately available" tier of service. We acknowledge petitioners' concern that this term may permit practices inconsistent with our purposes. Accordingly, we will revise the rules to clarify that if any signals carried in fulfillment of must carry obligations are included on a service tier, then all must carry signals must be carried on that tier.

In addition, all signals carried in fulfillment of a cable system's must carry obligations must be included on the lowest-priced tier separately available to each cable subscriber.[65] The price of this tier of service must include the cost of any terminal device necessary to receive the service. In addition, the tier of service on which the must carry signals are provided must be accessible on any additional receiver connections which the subscriber may purchase.[66] We believe that this rule, as clarified, will ensure that subscribers have opportunity to access all signals carried in fulfillment of must carry obligations during the transition period. Our revised formulation of this portion of the rules will avoid the tiering problems anticipated by petitioners and will provide flexibility for cable operators to their multi-pay packages in a manner that will not conflict with our purposes or the requirements in the Cable Act.

123. Adelphia also objects to the definition of "useable activated channels" for determining cable system channel capacity. It states that the exclusion of only those channels set aside due to potential interference with aeronautical frequencies is inconsistent with The definition of "activated channel" in the Cable Act. In This regard, Adelphia refers to the leased access provisions in Section 612 of the Cable Act which exclude channels "otherwise required for use . . . by Federal law or regulation." Adelphia also requests that the definition of useable activated channels be modified to exclude channels unuseable pursuant to Sec-

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[65] Consistent with our earlier decision in *Monterey Cable TV*, 56 RR 2d, 159, *recon.* 98 FCC 2d 1281 (1984), however, a cable operator may put a must carry signal on a higher tier if the operator notifies it subscribers and offers free converters to all subscribers wishing one in order to watch That must carry signal.

[66] The record does not justify action on additional connections provided to subscribers free of charge at this time. Any party wishing to address further this issue may file a petition for rule making in accordance with Section 1.401 of the rules.

tions 76.610 through 76.618 of our rules concerning the operation of cable systems in the 108-136 MHz and 225-400 MHz bands, as Well as channels subject to direct pickup interference (DPI) resulting from strong local broadcast station signals.

124. We disagree with Adelphia's argument that the definition of useable activated channels in the interim must carry rules is inconsistent with that of "activated channel" in Section 612 of the Cable Act. Section 612(b)(5)(A) defines "activated channels" as:

> . . . those channels engineered at the cable system for the provision of services generally available to residential subscribers of the cable system, regardless of whether such services actually are provided, including any channel designated for public, educational or government use. . . .

The definition in the interim must carry rules parallels this definition except that it excludes those channels "whose use for distribution of broadcast signals would conflict with technical and safety regulations," that is, those channels in the 108-136 MHz and 225-400 MHz bands. Thus, it appears that Adelphia argues not that the definition of activated channels in the Cable Act should be used, but rather that useable activated channels should be defined as those available for leased access pursuant to Sections 612(b)(1)(A) and (B). Use of this definition would significantly reduce the base of channels used to determine the maximum number of broadcast signals a cable system is required to carry.

125. The maximum number of signals required to be carried by cable systems, as determined using the definition of useable activated channels adopted, strikes the proper balance between the need to ensure effective competition during the transition period and to minimize the intrusiveness of our regulations on cable operators' First Amendment rights. The change requested by Adelphia

would tilt this balance in a manner contrary to the purpose of the interim must carry rules. With regard to Adelphia's suggestion that we exclude channels subject to direct pickup interference from the count of usable activated channels, we believe that for systems maintaining adequate radio frequency integrity, such interference is likely to be a problem only near an interfering transmitter and does not affect the majority of cable subscribers. It is not necessary to provide a general exclusion for channels on the basis of direct pickup interference. Rather, it is more appropriate to resolve any such problems that might occur on a case-by-case basis. Accordingly, we will not modify the definition of useable activated channels adopted in the *Report and Order*.

Mandatory Carriage Provisions.

126. *Duplicating Stations.* The ABC Television Affiliates Association (ABC Affiliates) opposes the interim must carry rule provision exempting from carriage the entire schedule of a station's programming, including both duplicated and nonduplicated programming, of qualified stations affiliated with the same commercial network as another qualified station carried by a cable system. Consistent with its original proposal, station carried by a cable system. Consistent with its original proposal, ABC Affiliates requests that the Commission modify this rule to require carriage of the nonduplicated, but not the duplicated, programming of all qualified stations, including commercial and noncommercial network affiliates and independent stations. It believes that in its current form, the nonduplication provision discriminates against network affiliated stations in favor of independent stations and, thus, violates the First Amendment and the equal protection clause of the Fifth Amendment. It also states that the rule is arbitrary and capricious because it contradict the Commission's stated legal and policy rationales by exempting from mandatory carriage programming that would

maximize program choices, compete for viewers with other eligible broadcast stations and cable program, and meet viewers' interests and preferences.

127. We are not persuaded that we should alter the provisions concerning carriage of stations affiliated with the same commercial network as requested by ABC Affiliates. Carriage of only the nonduplicated portion of an affiliated station's program service would, in practice, require cable systems to devote an entire channel to carriage of such programming. The channel would have to be available at all times when the nonduplicated programming is broadcast. Any other use of this channel by the cable system would be on a secondary basis, in accordance with a schedule controlled by the station. As a practical matter, therefore, it is likely that a cable operator required to carry the nonduplicated portions of affiliates' programming would simply carry the duplicated affiliates in full. Accordingly, we disagree with ABC Affiliates that the requested modification would contribute to maximizing the variety of program choices offered by cable systems. Rather, we believe the necessity of the channel set aside pursuant to the requested arrangement would prevent cable systems from offering another full-time program service on that channel. This result is contrary to the interests of cable operators, cable programmers and the viewers. Further, we disagree that the rules, as adopted, arbitrarily discriminate against duplicating affiliates in favor of independent stations. Carriage of the entire schedule of programming of independent stations allows cable systems to offer a complete schedule of nonduplicated programming that makes full use of the cable channel on which it is carried. In view of these considerations, we are denying the ABC Affiliates' request.

128. We observe that the rules did not reflect our decision in paragraph 153 of the *Report and Order* that where the maximum number of qualified stations is less

than or equal to the maximum number of channels that the system must carry and both a parent and its satellite television stations qualify for carriage, a cable system is not required to carry both stations, but may chose which station to carry. The rules also did not reflect that under the same circumstances, that a cable system is not required to carry both a noncommercial station and its translator if both qualify for carriage. We are amending the rules to correct these omissions.

129. *Dispute Resolution.* INTV seeks to change the two-step procedure for broadcast station signal carriage requests and mandatory carriage dispute resolution adopted in the *Report and Order*. It proposes that Section 76.58(c) be modified to provide that a broadcast station may request a ruling with respect to its demand for carriage by the cable system if it simultaneously files duplicate copies of the carriage demand with the Commission. A cable system receiving such a demand would be required to respond to the station and simultaneously to file such response with the Commission. Under this approach, if the cable system agrees to carry the broadcast station, Commission proceedings on the matter would automatically be terminated. Otherwise, the Commission would treat the filings as pleadings for purposes of resolution of the matter. INTV asserts that this modification would streamline the dispute resolution procedure, thereby permitting more expeditious handling of cable carriage disputes. In considering INTV's request, we find that it is more appropriate to encourage cable systems and broadcast stations to resolve carriage disputes among themselves. Disputes should be brought to the Commission only where the parties are unable to reach agreement after having attempted to do so in good faith. This approach will minimize administrative burdens on the Commission, cable systems and broadcast stations, whereas INTV's approach would encourage parties to invoke formal administrative procedures and to incur the associated legal

costs in cases where the matter could be resolved informally among the parties.

130. In the *Report and Order*, the text at paragraph 158 indicated that a cable operator must respond to a broadcaster's request for carriage with a written response within 30 days, while Section 76.58 of the new rules provided a 15 day response period. It was our intention to provide cable operators with 15 days to respond to a broadcaster's request for carriage. Thus, the text was incorrect. Accordingly, we hereby clarify that cable operators will have 15 days to respond to requests for carriage.

Noncommercial Educational Stations

131. Several parties representing public noncommercial educational television interests, as well as NCTA and CATA, address the interim must carry provisions affecting noncommercial broadcast stations. CPB believes that the interim must carry rules inadequately protect the governmental interest in the unique services provided by public television programming. It states that as recognized and articulated by the Commission in the *Report and Order*, the governmental interest in public television is sufficient to justify its original proposal to require cable systems to carry all nonduplicating local public television stations or, at a minimum, to require cable operators to carry all local, nonduplicating public television stations (in addition to those required by the interim must carry rules) where activated channels are not otherwise being used. CPB states that the latter proposal would not impose a burden on cable operators and would facilitate viewer awareness of public stations, thereby enhancing the prospects that they will continue to gain audience and support when the interim period expires. It concludes that the substantiality of the governmental interest in public television resolves any dispute as to the constitutionality of the proposal. In this regard, CPB also requests that Section 76.56 of the rules be modified to include language from the *Order* spec-

ifying that cable systems have to carry "at least" one or two noncommercial stations, and to provide that where a cable system's must carry quota is not otherwise filled, it is required to carry additional local public television station up to its requirement.

132. In a similar vein, CPB proposes lowering the cable system channel capacity cap for carriage of at least two noncommercial stations from 54 or more channels to 25 or more channels. It criticizes the designation of 54 or more channels as arbitrary and submits data to show that under the former must carry rules, 72 percent of the cable headends that carried two or more public television signals had 25 or more channels. CPB further proposes modifying the rules to provide that a public television station qualifies for mandatory carriage if the cable community lies in whole or in part within the station's Grace B contour rather than if the reference point of the station's community of license lies within 50 miles of the principal headend of the cable system. It claims this modification is necessary to reflect the fact that, unlike commercial stations which are generally engineered to provide the strongest possible signal to their community of license, many public television stations are located according to plans designed to provide Grade B service to an entire state or region.

133. On the other Side of this issue, NCTA and CATA seek elimination of the mandatory carriage rights afforded noncommercial stations. They state that these carriage rights, including, for example, the exemption from the viewing standard, treat noncommercial stations in a manner preferential to, and discriminatory of, commercial stations that violates the First Amendment. NCTA and CATA claim that there is no evidence that the availability of noncommercial stations will be endangered if their carriage rights are put on an equal footing with those of commercial stations. Moreover, they state that the justification for such preferential treatment on the basis of the public interest value of the alternative programming provided by

noncommercial stations makes plain that the regulations are content based and, hence, unconstitutional. In this regard, they argue that government funding of public stations does not justify ignoring the constitutional prohibition against interfering with another speaker's editorial judgment.

134. In The *Report and Order,* we recognized that the federal interest includes maintaining access by cable subscribers to the alternative program services provided by noncommercial educational stations during the transition period! Therefore, we adopted distinct provisions for carriage of such stations in the interim must carry rules. In recognition of their unique role in our television system, we extended to noncommercial educational stations certain advantages with respect to signal carriage rights. These advantages are:

1) Noncommercial stations and translators do not have to meet the viewership standards;
2) All cable systems, including those with 20 or fewer channels, must carry at least one qualified noncommercial station or translator;
3) If two or more noncommercial stations are eligible, cable systems with 54 or more channels must carry at least two such stations, if available;
4) Cable systems must carry duplicating noncommercial stations up to the limit of their signal carriage obligations;[67] and,

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[67] The interim must carry rules provide that where the number of qualified stations is less than or equal to the maximum number of channels that a cable system must devote to carriage of off-the-air signals, the cable system is required to carry all such signals. However, cable systems are not required to carry: 1) The signals of more than one station affiliated with the same commercial network; 2) the signals of both a satellite and its parent television station where both otherwise qualify for carriage; or 3) the signals of a parent noncommercial station and its satellite and translator stations. There is no exception permitting

5) Noncommercial educational translators are eligible for qualified status.

In adopting these provisions, we stated that they strike an appropriate balance between the competing needs to provide access to noncommercial educational programming and to protect cable operators' opportunities for exercising their editorial discretion during the five-year interim period.

135. We are not persuaded by petitioners' arguments on either side of this issue that we should alter our initial decision concerning carriage rights for noncommercial stations. Petitioners requesting additional carriage rights for these stations have not demonstrated that the interim must carry rules do not ensure the availability of a reasonable quantum of noncommercial broadcast service to all cable subscribers. On the other side, we do not believe the advantageous treatment afforded noncommercial stations unconstitutionally discriminates against commercial stations, but rather is necessary to further the federal interest in noncommercial educational television service long recognized by this Commission and the Congress.[68] The noncommercial station carriage provisions, as adopted, strike the appropriate balance between the two important and conflicting federal objectives involved in this issue. Ac-

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cable systems not to carry the signals of noncommercial stations affiliated with the same network. Thus, a cable system must carry noncommercial stations that duplicate the same network programming to the extent that the number of qualified stations is less than or equal to the maximum number of channels the cable System must carry. For example, if a cable system were obligated to carry up to eight broadcast stations and there were five qualified commercial stations, no two of which were affiliated with the same network, and three noncommercial PBS affiliated stations, the cable system would have to carry all of these stations. *See Report and Order, supra,* at paragraph 153, and 47 CFR §76.56.

[68] *See Report and Order, supra* at paragraph 117.

cordingly, we will not modify the basic signal carriage provisions for noncommercial educational stations.

136. CPB, Educational Broadcasting Corporation (EBC), and American Christian Television Services, Inc. (ACTS) each request that we delete the rules that make eligible for qualified status only those noncommercial educational stations operating on reserved frequencies and that we extend such eligibility to noncommercial stations operating on nonreserved frequencies. Petitioners argue that the Commission's stated justification for the mandatory carriage rights afforded noncommercial stations is to protect viewers' access to public television programming and, therefore, the rules should encompass all stations broadcasting such programming, regardless of their location on the spectrum. They recommend use of the standards for noncommercial educational stations in Section 73.621 of the rules as the fundamental method of determining the noncommercial status of stations operating on nonreserved frequencies. ACTS alternatively suggests requiring stations to demonstrate nonprofit charitable status as recognized by the IRS pursuant to 26 U.S.C. §501(c)(3).

137. The interim must carry rules exempt otherwise eligible noncommercial educational stations operating on reserved channels from the viewing standard in order that they may qualify for carriage. Further. they specify that each cable system must carry at least one, and in some cases at least two, qualified noncommercial educational stations, depending on its channel capacity. A cable system also is required to carry additional qualified noncommercial signals if the number of qualified commercial stations plus the number of noncommercial stations it is required to carry is less than the maximum number of signals the system is required to carry. In the *Report and Order*, we recognized that noncommercial stations are not subject to the same market forces as commercial broadcast and cable television. Our objective in providing special treatment to noncommercial educational stations was to ensure cable

subscribers' access to noncommercial programming in the transition period and, thus, to protect the federal interest in maintaining the availability of such programming "to all of the citizens of the United States."[69] Upon examining petitioners' position, we recognize that by limiting the exemption from the viewership standard only to noncommercial educational stations assigned to reserved channels, we inadvertently excluded from this exemption those noncommercial stations assigned to nonreserved channels. We also inadvertently failed to specify that the noncommercial station carriage requirements apply only to stations providing such program services.

138. Therefore, we will modify the rules to correct these oversights. The revised rules will provide for extension of noncommercial educational station carriage rights to all noncommercial stations that are the subject of the federal interest, and only to such stations. We believe the most appropriate and convenient means for accomplishing this is to apply the noncommercial station carriage provisions to all stations operating on reserved channels and to provide for their extension to noncommercial stations operating on non-reserved channels on a case-by-case basis. The most useful and effective approach for identifying noncommercial educational stations operating on nonreserved channels that should be eligible for noncommercial carriage rights is to rely on the standards used to qualify stations for the Public Telecommunications Facilities Program (PTFP) administered by the National Telecommunications and Information Administration.[70] This approach provides

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[69] *See* Pub. L. No. 90-129, 81 Stat. 365 (1967); *see also* 47 U.S.C. §§396(a)(5) and (6).

[70] *See* 15 CFR Part 2301.4(a), which provides that "[i]n order to apply for and receive a PTFP grant, an applicant must be: (1) A public or noncommercial educational broadcast station; (2) A noncommercial telecommunications entity; 93) A system of public telecommunications entities; (4) A nonprofit foundation, corporation, institution, or asso-

a more definite standard than the noncommercial eligibility criteria contained in Section 73.621 of our rules. Use of the PTFP standards also will provide an administratively efficient means for determining qualified noncommercial stations operating on nonreserved channels. We observe that noncommercial educational stations operating on nonreserved channels in most cases will already have demonstrated that they meet these standards to obtain PTFP funding. To qualify for noncommercial carriage rights, such stations merely will need to submit proof that they have met the PTFP standards.

139. We also will revise the rules to provide that only stations qualified under the above criteria are eligible for carriage in fulfillment of the minimum noncommercial station carriage requirements. We believe that these modifications will ensure that the service of those noncommercial educational stations which provide statutorily defined "public telecommunications service" will be available to cable subscribers.[71]

140. Television Communications, Inc., requests that the carriage rights afforded to noncommercial stations be extended to religious specialty stations on the grounds that such stations have specialized programming appeal. We are not persuaded to do so. While religious specialty stations, like foreign language stations, provide specialized programming, they are not within the category of noncommercial stations for which Congress and the Commission have identified a unique concern and for which discrete statutory and regulatory treatment has been established.[72]

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ciated organized primarily for educational or cultural purposes; (5) A nonprofit foundation, corporation, institution, or association organized for any purpose except primarily religious to plan for the provision or public telecommunications services; (6) A state or local government or agency or a political or special purpose subdivision of a state.

[71] *See* 47 USC §397(14).

[72] *See* 47 U.S.C. §§396 and 399B; *see also* 47 U.S.C. §§73.606 and 73.621.

In order to avoid regulation broader than necessary to achieve our narrowly stated federal interests, therefore, we believe specialized carriage perogatives should not be extended to specialty stations generally. Thus, we find that Television Communication's request would conflict with our First Amendment objectives. Accordingly, we are denying its request to extend the noncommercial station carriage provisions to religious specialty stations.

141. CPB requests modification of the rule that affords noncommercial station mandatory carriage rights to noncommercial translators of 100 or more watts to extend those rights to such translators operating with 5 watts or more output power. It states that the present 100 Watt limit would exclude 297 of the 930 translators providing public television service, including 224 VHF translators. In addition, it states that the Commission has not explained its departure from its earlier rationale that noncommercial translators of 5 or more watts are such an essential part of the nation's public telecommunications system that they require mandatory carriage status under the former must carry rules. We agree with CPB that such translators constitute an essential part of the noncommercial television system by providing service to areas not otherwise capable of receiving a full service noncommercial station. In such areas, it is important that subscribers to the local cable system be able to access these translators during the transition period. Accordingly, we will revise the rules to make noncommercial translators operating with 5 or more watts output power eligible for qualified must carry status in the same manner as full service noncommercial stations.

Carriage of Commercial Translators

142. Hubbard Broadcasting, Inc. (Hubbard) requests that the carriage rights afforded to commercial stations be extended to include commercial translators operating with 100 or more watts. It submits that it is illogical to dis-

tinguish between commercial and noncommercial translator stations for must carry purposes, and believes that the development and maintenance of off-the-air translators in rural areas requires a uniform and comprehensive must carry policy. Hubbard notes that the former must carry rules included such translators, and states that there are still vast areas of the country where the only available off-the-air television service is provided by translator stations. Hubbard also states that to differentiate between noncommercial and commercial translators for must carry purposes based on a determination that the former provide programming of greater public interest value raises serious First Amendment questions. Hubbard asserts that its request would be permissible under the *O'Brien* standard.

143. We do not believe it would be appropriate to afford eligibility for qualified must carry status to commercial translators as requested by Hubbard. Our purpose in providing signal carriage rights to commercial stations is to preserve the commercial broadcasting system as a competitive alternative source of programming during the transition to an environment without must carry rules. The essential aspect of this system is the service provided by full service stations. Translators and low power television facilities provide service that is secondary and supplementary to that provided by full service stations. Achievement of our objectives for the interim must carry rules does not require that we extend must carry eligibility to commercial translators and low power television stations. Moreover, such provisions would be inconsistent with the requirement under the *O'Brien* standard to minimize the intrusiveness of our regulations on cable operators' First Amendment rights.

Carriage of Other Stations

144. CPB, NAB, Joint Broadcast Television Petitioners (Joint Broadcast Petitioners), Midwest Television, Inc. (Midwest), and Meredith Corporation (Meredith) each re-

quest clarification as to whether terrestrial satellite television stations, that is, full service broadcast stations that rebroadcast some or all of the programming of a full service television statior, are eligible to qualify for mandatory carriage under the interim must carry rules. In their view, the *Report and Order* and the new rules are confusing on this point. Specifically, petitioners state their belief that because satellite stations operate on channels regularly assigned to their community of license under Section 73.606 of the rules, they are made eligible for qualified status by the incorporation by reference of Section 76.5(b) into the definition of "qualified broadcast station" in Section 76.5(d), as amended. They further state that paragraph 153 of the *Report and Order* supports this view since it provides that "where both a satellite and its parent television station qualify for carriage, the cable system need not carry both stations and may choose between them. . . ." However, they state that this conclusion is confused by langauge in paragraph 144 of the *Report and Order* which includes satellite stations among those stations not entitled to carriage under the new rules. NAB believes that paragraph 144 refers to satellite television stations of types other than those encompassed by Section 76.5(b), such as direct broadcast satellites. These petitioners argue that satellite stations should be eligible to qualify for must carry status.

145. The confusion as to whether terrestrial satellite broadcast stations are eligible to qualify for must carry status stems from an inadvertent misstatement in paragraph of 144 that "satellite stations" are not entitled to carriage under the new rules. This statement is intended to refer to direct broadcast satellite stations and not terrestrial satellite stations. Terrestrial satellite broadcast stations are eligible for must carry status. Inasmuch as the rules, as adopted, plainly reflect this interpretation, revisions thereto are not required.

146. In a similar vein, Joint Broadcast Petitioners also seek clarification that nothing in paragraph 144 is intended to restrict the freedom of cable operators to carry stations such as foreign television stations, direct broadcast satellite stations, low power television stations and commercial translator facilities, which are excluded from eligibility for qualified must carry status. We take this opportunity to clarify that nothing in paragraph 144 or elsewhere in the *Report and Order* is intended to restrict cable operators' freedom to carry programming of stations that are excluded from eligibility for must carry status. Quite to the contrary, our purpose is to increase, to the extent possible, cable operators' freedom to decide what signals they will carry. We will modify the rules to specify that after satisfying their interim must carry obligations, cable systems, to the extent permitted by Commission rules and other legal requirements, may carry any other broadcast stations or program services at their discretion.

Payments to Cable Systems

147. NAB, INTV and TOC each request modification of the rule permitting cable systems to receive payments for carriage from stations that either are not qualified or are qualified but are not carried as part of the cable system's complement of must carry stations. These petitioners argue that to permit such payments creates incentives for able operators to disregard subscribers' viewing preferences and to select stations for carriage to fulfill must carry obligations in a manner that would yield the greatest compensation from other qualified stations. NAB requests that this rule be modified in accordance with the joint industry agreement to prohibit payments by qualified stations whether or not they are carried to fulfill must carry obligations, or by stations that would have been entitled to carriage under the former must carry rules. INTV believes that any payments other than those provided for in paragraph 157 of the *Report and Order* respecting copyright fees and delivery of a good quality signal to the

cable headend should be prohibited. TOC requests that we prohibit payment by any television station as a condition for carriage on a cable system.

148. We reject petitioners' request to modify the rules to prohibit cable systems from receiving any payments for carriage, other than those associated with delivery of a good quality signal and copyright fees, by broadcast stations not carried in fulfillment of signal carriage obligations. We believe that to prohibit such payments would, in fact, distort the operation of market forces in a manner that would disregard viewer preferences. In situations where cable systems are not obligated to carry a particular broadcast station, and a channel is available, there are likely to be alternative program sources competing with the broadcast station to occupy the channel. Under the "no payment" approach requested by petitioners, broadcasters would be at a competitive disadvantage with respect to other program sources in obtaining cable carriage. For example, if a broadcast station and its competitors were equally attractive to the cable system, and the latter were willing to pay for carriage, then the broadcast station would not be able to compete effectively for the channel and would not be carried. Further, even if a broadcast station were more desirable than its competitor, the latter would be able to pay a fee that might outweigh that factor. The result might be that broadcasters not carried in fulfillment of must carry obligations would be harmed if they were unable to pay for carriage. Thus, we continue to believe it is appropriate to permit payments for carriage by stations not carried in fulfillment of must carry obligations.

149. In considering the payments issue, we are concerned that prohibition on "payments" to cable systems by stations carried in fulfillment of signal carriage obligations might be interpreted to apply only to direct, monetary payments. Thus, it might appear that cable systems could arrange for indirect, nonmonetary considerations for

carriage of stations carried in fulfillment of signal carriage obligations. Examples of such indirect payments would be where a station might provide the cable operator with advertising time for the cable system's premium services or where a cable operator might employ channel repositioning to circumvent the intent of our rules and extract payment for carriage. Arrangements for indirect consideration would be most likely to occur in cases where the number of qualified stations is greater than the maximum number of signals that the cable system is required to carry. We emphasize that indirect payments by signals carried in fulfillment of must carry requirements are not permissible. To clarify this point, we are amending the rules to specify that the prohibition on payments to cable systems by stations carried in fulfillment of must carry obligations applies to both direct (monetary) and indirect (nonmonetary) payments.

150. The interim must carry rules permit cable systems not to carry an otherwise qualified station that is considered a distant signal for copyright purposes and to accept reimbursements from a qualified station for any copyright fees associated with the station's carriage. WLIG believes that these provisions artifically exclude many local stations from eligibility for must carry status. It believes the rules should not automatically exclude stations from eligibility for must carry status if they are considered distant signals under the compulsory license scheme. WLIG requests the rules be modified to provide that such stations are eligible to qualify for must carry status, but cable systems, as a condition of carriage, may require them to pay the copyright fees incurred as a consequence of Their carriage. NAB seeks clarification as to the amount of permissible payments. It states that the parties to the joint industry agreement intended to limit such reimbursements to the incremental increase in copyright payments as a result of carriage of a station considered to be a distant signal. Thus, NAB requests that the rules be modified to specify

that the compensation permitted is limited to the costs attributable to any increase in the number of distant signal equivalents in the payment formula under the compulsory license due to the expansion of the carriage radius.

151. We recognize that there is some ambiguity in the provisions respecting carriage of signals considered distant under the compulsory license scheme and payments by such stations as reimbursements for the associated copyright fees. In the *Report and Order*, it was our intention to provide that stations considered distant signals for copyright purposes not be eligible to qualify for must carry status regardless of whether they reimburse the cable operator for any copyright fees associated with their carriage. We disagree with petitioner arguments that "distant signals" should be eligible for must carry status. In this regard, we believe that must carry eligibility for such stations in some instances would impose unnecessary additional carriage obligations on cable systems. Accordingly, we will modify the rules to clarify that broadcast stations considered distant signals for copyright purposes are not eligible To qualify for must carry status. Consistent with this clarification, We also will eliminate the provisions concerning reimbursement payments for copyright fees incurred for carriage of such stations. Thus, stations considered to be distant signals may pay for carriage in the same manner as other stations not carried in fulfillment of must carry obligations.

Sports Blackout Rule

152. Adelphia states that the interim must carry rules affect the Commission's sports blackout rule contained in Section 76.67 in such a way as to potentially increase the number of sporting events which cable operators are required to black out. Specifically, it points out that since the interim must carry rules in effect increase the specified zone of a television station from 35 to 50 miles and impose a limit on the number of qualified stations a cable operator

is required to carry, a greater number of cable systems will be affected by any existing sports blackout, while at the same time fewer broadcast stations carrying sports events will qualify for carriage. Adelphia states that as a result, the existing exemption from blackout requirements is narrowed. It believes that this result is contrary to the Commission's longstanding policy of limiting blackout protection to the smallest area necessary to protect gate receipts and ensure attendance. Thus, Adelphia requests that we modify Section 76.67 to provide that the 35 mile zone remains applicable for sports blackout purposes. If further requests that the rule be modified to provide that a cable system need not provide sports blackout protection if a sports event is available live on a broadcast television signal which is being carried on the cable system and which would have been entitled to assert carriage rights under the former must carry rules.

153. In adopting the interim must carry rules, it was not our intention to alter the provisions of the sports blackout rule; nor were changes to it subject to notice and comment. Thus, the changes to this rule resulting from adoption of the interim must carry rules were inadvertent. Therefore, we will modify the sports blackout rule to ensure that the application of the rule remains the same as it was under the former must carry rules. We disagree with petitioners' contention that the interim must carry rules change the applicable specified zone for purposes of the sports blackout rules. The term "specified zone" is defined in Section 76.5(f) of our rules as "[t]he area extending 35 air miles from the reference point in the community to which that station is licensed . . ." This definition is not affected by any action we have taken in this proceeding. However, the reference in the rule to "mandatory signal carriage" is affected because it refers to a specific set of broadcast stations that is altered under the new rules. These same signals also can be referenced by the characteristics that qualified them for must carry status

under the former must carry rules. Accordingly, we are revising the sports blackout rule to eliminate the term "mandatory signal carriage" and to replace it with the characteristics previously used to describe those signals that were entitled to must carry status.

OTHER POLICY ISSUES

154. Century asserts that the circumstances leading to adoption of the new rules constitute denial of due process. It argues that this proceeding was instigated, perpetuated, and dominated by political activities of an extraordinary nature by Congress. Century asserts that however appropriate such "legislative" activities may otherwise be, the intended, perceived? and actual impact of such coercion upon the independence and objectivity of the Commission's proceedings is manifest. It, therefore, submits that resolution of this proceeding, and especially rulings upon matters of fundamental law, have been unduly influenced by elements irrelevant and extraneous to judicious disposition of constitutional questions and liberties.

155. We find no validity to Century's allegation of impropriety on the part of the Commission in this rule making proceeding.[73] Century has not provided any evidence or documentation to substantiate its claim of the denial of due process. All interested parties were afforded ample opportunity to participate in this proceeding and all the documents received, including correspondence, were placed

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[73] On March 9, 1987, Century filed a "Motion to Vacate Report and Order and for Termination of Proceeding." In this Motion, Century claims that the Commission failed to follow proper administrative procedures and to adhere to prescribed regulations and standards. These are essentially the same arguments that were made in the several pleadings already filed by these parties and that we are rejecting for reasons as discussed herein. We find no new evidence in this filing to bolster Century's earlier arguments. Accordingly, we find no merit in Century's motion and are denying its request to vacate the *Report and Order* and to terminate this proceeding.

in the public record. Further, Century seems to dispute our responsibility, once we determined a need for some form of interim mandatory carriage regulation, to seek a rationale for that regulation that would withstand judicial review. We indicated in the *Report and Order* that must carry rules are needed on an interim basis until consumers become aware of the need to maintain independent access to off-the-air signals and have opportunity to obtain such capability through input selector switches. Yet in formulating such rules, we also were well aware of the Court's basis for invalidating our former must carry rules. Therefore, it was necessary and appropriate to tailor the interim must carry rules such that they will withstand judicial scrutiny.

156. TBS contends that, if we decide not to eliminate the interim must carry rules, then we should stay the effective date of the rules pending a determination by the Court of Appeals on the merits of the TBS petition. TBS submits that, aside from the likelihood that it will prevail on the merits of its position, the potential for irreparable harm to itself and the possibility of harm to other parties and the public interest warrant a stay. It argues that the courts have consistently held that denial, or threatened denial of constitutional rights of freedom of speech and expression, constitutes irreparable harm for the purposes of issuing a stay or injunctive relief. TBS also claims that a stay would cause no significant harm to the other parties to this proceeding. In this respect, it states that a stay would merely preserve the status quo, in which there are not must carry rules and cable operators are free to exercise their discretion to select the programming that will satisfy the needs and interests of their subscribers.

157. We find that it would not be appropriate to delay the effective date of these rules any further, as TBS contends. This proceeding has been exhaustive and lengthy, affording participation by all interested parties and permitting the Commission to carefully consider all possible

alternative approaches. The regulatory program we have adopted is constitutionally and statutorily sound. Also, we do not agree with TBS that a stay pending judicial review is appropriate. TBS claims that denial or threatened denial of constitutional rights of freedom of speech and expression constitute irreparable harm for the purposes of issuing a stay. In our view, the new rules do not unconstitutionally infringe the rights of cable operators. Rather, the new rules balance the need for ensuring consumers' access to off-the-air signals with the rights of cable operators to choose the signals they desire to carry by limiting the number of signals entitled to mandatory carriage. TBS further argues that there will be no significant harm to other parties in this proceeding if a stay were granted. We believe that in the absence of interim must carry rules, consumers would be harmed if they were denied access to local broadcasting service not carried on their cable systems and they have not yet become aware that they have the capability to receive local signals off-the-air by using an input selector switch and antenna, and, therefore, they have not yet taken steps to regain that capability if they so desire.

PROCEDURAL MATTERS

158. Pursuant to the Regulatory Flexibility Act of 1980, the Commission's final analysis is as follows:

I. Need for and purpose of the rules.

The Commission's must carry rules for cable television systems were ruled constitutionally invalid in *Quincy Cable TV, Inc. v. FCC.* After examination of the record, the Commission determined that the most appropriate course of action in this matter was to adopt a two-part regulatory program that will provide an orderly transition from the current situation where there is need for must carry regulation, to its long-term objective of developing a video marketplace in which consumers will be able effectively to choose between cable and broadcast television program services. The first part of this program required cable systems to offer their subscribers input selector switches that enable use of an antenna in conjunction with cable service and to implement a consumer education program to inform subscribers that it may be necessary to have off-the-air reception capability to receive all the available broadcast signals. This program is intended to eliminate, over time, the current perceived capability of cable systems to limit their subscribers' access to over-the-air broadcast stations. The second part of this program consists of interim must carry rules that will expire at the end of five years. These rules will provide for an orderly transition to a market environment where must carry rules are no longer necessary. During the transition period, the input selector switch offer and consumer education requirements will work gradually to supplant the need for must carry rules and to assure subscribers' access to local television broadcast stations.

We have modified the specific requirements of this program to reduce the burden it imposes on the regulated parties, particularly the cable industry. We have replaced the requirements for cable systems to provide switches to

their subscribers at no cost with a requirement merely to offer switches to subscribers. Cable systems thus will be free to set a price for purchase or lease of input selector switches, including associated hardware and installation. In addition, cable systems located in areas where there are no available off-the-air signals will not be subject to any portion of the new requirements.

II. Summary of issues raised by petitioners in response to the final regulatory flexibility analysis, Commission assessment and changes made as a result.

A. *Issues raised.* No petitioning or commenting parties raised issues specifically in response to the final regulatory flexibility analysis. However, many parties objected to the economic burden they claim would be imposed on the cable industry as a result of the new program, particularly the requirement to provide input selector switches to subscribers at no cost. The revised input selector switch requirements and the full exemption from the rules for cable systems located in areas where there are no available off-the-air signals will resolve these concerns. In addition, the modifications to the rules to specify the consumer education requirements as a series of general requirements rather than specific suggested language will provide cable systems with additional flexibility to provide their subscribers with information suited to their particular circumstances. Thus, the revised program will substantially reduce the economic burden on all cable systems. We also believe that our program as revised herein will continue to provide for the needs of the commercial and noncommercial television industries as discussed in the final regulatory flexibility analysis.

B. *Assessment.* The revised input selector switch, consumer education and interim must carry requirements will be significantly less burdensome than those adopted in the *Report and Order.* While these revised rules will impose some burdens on cable operators, they are necessary to the achievement of our federal objectives.

C. *Changes made as a result of petitions and comments.* While no parties filed petitions or comments concerning the final regulatory flexibility analysis, many parties suggested alternative regulatory policies. Our revisions to our two-part program reflect our consideration of these suggestions and the effect of our policies on small business entities in both the broadcast and cable industries.

III. Significant alternatives considered and rejected.

We have considered all the arguments and alternatives presented in the petitions and comments responding to the *Report and Order.* After full consideration of all the issues raised therein, we have revised the rules in a manner that is most appropriate in light of the facts and issues presented.

159. The rules adopted herein have been analyzed with respect to the Paperwork Reduction Act of 1980 and found to impose new or modified requirements on the public. Implementation of these new/modified requirements and burdens will be subject to approval by the Office of Management and Budget by that Act.

160. The Secretary shall cause a copy of this *Memorandum Opinion and Order,* including the Final Regulatory Flexibility Analysis, to be sent to the Chief Counsel for Advocacy of the Small Business Administration, in accordance with Paragraph 603(a) of the Regulatory Flexibility Act (Pub. L. No. 96-354, 94 Stat. 1164, 5 U.S.C. §§601 *et seq.* (1981)).

161. Accordingly, pursuant to the authority contained in Sections 4(i) and 303 of the Communications Act and Section 1.106 of the Commission's rules, IT IS ORDERED THAT the petitions for reconsideration of the *Report and Order* filed by parties named herein ARE GRANTED to the extent indicated above, and ARE DENIED in all other respects. In addition, IT IS ORDERED THAT Part 76 of the Commission's rules IS AMENDED as set forth in Ap-

pendix B, effective June 10, 1987. IT IS FURTHER ORDERED THAT the "Motion to Vacate Report and Order and for Termination of Proceeding" filed by Century Communications Corp., *et al.* IS DENIED.

FEDERAL COMMUNICATIONS COMMISSION

William J. Tricarico
Secretary

Attachments: Appendices A and B

APPENDIX A

Petitioners

1. ABC Television Affiliates Association
2. Joint Petition by Adelphia Communications Corporation, Arizona Cable Television Association, Bachow and Elkin, Inc., Coaxial Communications, The Essex Companies, Falcon Cable TV, Hauser Communications, Inc., Hearst Cablevision of California, Inc., The Helicon Group ltd., Insight Communications Company, L.P., McCaw Communications Companies, Inc., Nashoba Communications Limited Partnership, Pennsylvania Cable Television Association, Sunbelt Cable, Ltd., Tele-Media Corporation, Tidel Communications, Inc., Vision Cable Communications, Inc., Warner Cable Communications, Inc., and Whitcom Investment Company (Adelphia).
3. American Christian Television Services, Inc.
4. Association of Independent Television Stations, Inc.
5. California Cable Television Association
6. Joint Petition by Century Communication Corp., Chasco Cablevision, Ltd., Clearview Cablevision Associates II, Columbia Associates, L.P., Daniels & Associates, Inc., Landmark Cablevision Associates, Monmouth Cablevision Associates, Masada Communications, Inc., National Cablesystems, Inc., North Carolina CATV Association, OCB Cablevision, Inc., Ocean Associates, Perry Cable TV Corp., Riverview Cablevision Associates, St. Charles CATV, Inc., United Artists Cablesystems Corp., and United Cable Television Corp. (Century)
7. Continental Cablevision, Inc.
8. Corporation for Public Broadcasting, National Association of Public Television Stations, and The Public Broadcasting Service (CPB) Educational Broadcasting Corporation

10. Gill Industries, Inc.

11. Haley, Bader and Potts on behalf of Joint Broadcast Television Petitioners (Joint Broadcast Petitioners)

12. Lincoln Broadcasting Company

13. Joint Petition by the National Cable Television Association, Inc., the Community Antenna Television Association, and the National Association (Joint Industry Petition)

14. Supplemental Petition by the National Cable Television Association, Inc., and the Community Antenna Television Association (NCTA and CATA)

15. The National Association of Broadcasters

16. Range Television Cable Co., Inc.

17. Richard S. Leghorn

18. Spanish International Communications Corporation and Spanish International Network, Inc. (SICC)

19. Taft Broadcasting Company

20. Television Operators Caucus, Inc.

21. Joint Petition by Texas Cable TV Association; Virginia Cable Television Association; Georgia Cable Television Association; Multi-Channel TV Cable Co., and Buford Television, Inc. (Texas Cable)

22. Turner Broadcasting System, Inc.

23. WLIG-TV, Inc.

24. Office of Communication of the United Church of Christ, Henry Geller and Donna Lampert

25. The National Independent Television Committee

26. Midwest Television, Inc.

27. Tele-Communications, Inc., TKR Cable Company, and TCI-Taft Cablevision Associates (TCI)

28. Meredith Corporation
29. Hubbard Broadcasting, Inc.
30. Television Communications, Inc.

Opposing/Responding Parties

1. Association of Independent Television Stations, Inc.
2. The Corporation for Public Broadcasting (CPB), the National Association of Public Television Stations (NAPTS), and the Public Broadcasting Service (PBS) [CPB].
3. Richard S. Leghorn
4. Association of National Advertisers, Inc.
5. Pico Macom, Inc.
6. Marantha Broadcasting Company, Inc.
7. Tele-Communications, Inc.
8. National Association of Broadcasters

Replies To Responses

1. Joint Reply by Century Communications Corp., Chasco Cablevision, Ltd., Clearview Cablevision Associates II, Columbia Associates, L.P., Daniels & Associates, Inc., Landmark Cablevision Associates, Monmouth Cablevision Associates, Masada Communications, Inc., National Cablesystems, Inc., North Carolina CATV Associations, OCB Cablevision, Inc., Ocean Associates, Perry Cable TV Corp., Riverview Cablevision Associates, St. Charles CATV, Inc., United Artists Cablesystems Corp., and United Cable Television Corp. (Century)
2. Turner Broadcasting System, Inc.
3. National Cable Television Association, Inc.

4. Joint Reply by Adelphia Communications corporation, Arizona Cable Television Association, Bachow and Elkin, Inc., Coaxial Communications, The Essex Companies, Falcon Cable TV, Hauser Communications, Inc., Hearst Cablevision of California, Inc., The Helicon Group Ltd., Insight Communications Company, L.P., McCaw Communications Companies, Inc., Nashoba Communications Limited Partnership, Pennsylvania Cable Television Association, Sunbelt Cable, Ltd., Tele-Media Corporation, Tidel Communications, Inc., Vision Cable Communications, Inc., Warner Cable Communications, Inc., and Whitcom Investment Company (Adelphia).
5. Gill Industries, Inc.
6. Lincoln Broadcasting Company
7. Richard s. Leghorn
8. Association of Independent Television Stations, Inc.
9. The National Independent Television Committee

Appendix B

I. Part 76 of Title 47 of the Code of Federal Regulations is amended as follows:

1. The authority citation for Part 76 continues to read as follows:

AUTHORITY: 47 U.S.C. 154, 303, and 521.

2. Section 76.5 is amended by reviewing paragraphs (d)(1), (d)(1)(ii), and (d)(2) and by adding a new paragraph (d)(3) to read as follows:

§76.5 Definitions.

* * * * *

(d) *Qualified station.* (1) Any television broadcast station, as defined in §76.5(b), except where such station would result in payment by the cable system of distant signal copyright fees, that with respect to a particular cable system:

(i) * * *

(ii) If a commercial station, receives an average share of total viewing hours of at least two percent and a net weekly circulation of at least five percent, as defined in §76.5(k), in noncable households in the county served by the cable system or has been operational less than one full year. For purposes of this section, a station is considered operational as of the date it initially commences operation under program test authority. Changes in station operations, for example, upgrade of facilities, transfer or assignment of license, or recommencement after operations have ceased, are not considered initial commencement of operations under this paragraph. The viewing standards of this paragraph shall not apply for one full year from June 10, 1987, to otherwise qualified stations that commenced operation after July 19, 1985, but before June 10, 1987 (the effective date of these rules). Once a commercial station has demonstrated that, on the basis of a full one-

year survey season, it meets the viewing standard, it will be considered to have satisfied this standard for the remainder of the period until June 10, 1992; Provided, however, that at any time after one year from one date a commercial station demonstrates that it meets the viewing standard, a cable system may nullify the station's mandatory signal carriage eligibility if it demonstrates, using the methodology specified in Section 76.55 of this Part, that the station no longer meets the viewing standard.

(2) Any noncommercial educational television station's translator with 5 watts or higher power serving the cable community.

(3) A full service station or translator qualifies as a noncommercial educational station for purposes of these rules if it is licensed to a channel reserved for noncommercial educational use pursuant to §73.606 of this chapter. The Commission also will consider whether stations operating on nonreserved channels qualify as noncommercial educational stations on a case-by-case.

3. Section 76.55 is amending by revising the introductory paragraph to read as follows:

§76.55 Qualified television station; method to be followed for showings.

A commercial television station shall demonstrate that, for the previous survey season, it meets the viewing standard specified in §76.5()(1)(ii) on the basis of an independent professional survey of noncable homes conducted according to the following provisions:

* * * * *

4. Section 76.56 is amended by removing paragraph (c)(2), redesignating paragraph (c)(3) as (c)(2) and retaining the NOTE following redesignated (c)(2), adding new paragraph (c)(3), an by revising paragraph (d) to read as follows:

§76.56 Mandatory carriage of television stations.

* * * * *

(c) * * *

(3) Is duplicated by another station that is carried; including where both a commercial parent station and its satellite station(s) qualify, and, in the case of noncommercial stations, where a parent station and its satellite and/or translator stations) qualify.

(d) A cable system shall not accept direct (monetary) payment or other indirect (nonmonetary) consideration in exchange for carriage of the signal of any qualified television station carried in fulfillment of mandatory signal carriage obligations, *except that* any such station may bear any costs associated with delivering a good quality signal, as defined in paragraph (c)(2) of this section, to the cable system.

* * * * *

5. Section 76.60 is amended by revising paragraph 9a) to read as follows:

§76.60 Carriage of other television signals.

(a) In addition to the qualified television station(s) carried pursuant to §76.56, a cable system may carry the signals of any other television stations, and also may carry low power television stations, television translator stations, foreign television stations, satellite distributed program services, direct broadcast satellite stations and programming from any other sources.

* * * * *

6. Section 76.62 is amended by revising paragraph 9a)(2), redesignating paragraph (b) as paragraph (d) and adding new paragraphs (b) and (c) to read as follows:

§76.62 Manner of carriage.

(a) * * *

* * * * *

(2) the signal shall be carried without material degradation.

(b) Where a broadcast television station carried in fulfillment of the mandatory signal carriage obligations is carried on a tier of service, all signals carried in fulfillment of those obligations must be carried on that tier; Provided, however, that a signal carried in fulfillment of mandatory signal carriage obligations may be placed on a tier of service, reception of which requires separate terminal device, if such devices are provided free of charge to all subscribers.

(c) All broadcast television stations carried in fullfillment of mandatory carriage obligations must be included on the lowest-priced tier of service separately available to each cable subscriber. The tier of service on which such stations are carried also must be accessible on additional receiver connections which the subscriber. The tier of Service on which such stations are carried also must be accessible on additional receiver connections which the subscriber may purchase.

* * * * *

7. Section 76.66 is revised in its entirety to read as follows:

§76.66 Input selector switches and consumer education.

(a) A cable system operator shall offer to supply to each new subscriber and each existing subscriber an input selector switch for each separate television receiver for which cable service is provided by the cable operator. The operator shall comply with the following in offering the switch and installing cable service:

(1) Offer to supply and install a switch for all new and existing subscribers within six months of June 10, 1987, and thereafter on an annual basis until June 10, 1992,

unless the subscriber already has an input selector switching device or his/her television receiver has such a device built-in;

(2) A cable operator may charge for the purchase or lease of switches and associated hardware and may separately charge for installation of switches for existing subscribers. However, a cable operator may not charge new subscribers a separate fee for switch installation.

(3) A cable system operator is not required to provide a switch to any subscriber who declines the required offer, but is not thereby relieved from making the offer to any such subscriber thereafter on an annual basis;

(4) The switch offer shall be made using text chosen by the cable operator that includes the following points:

(i) An offer to supply an input selector switch for each separate television receiver to which cable service is provided;

(ii) The switch connects both to the cable service and an antenna, and enables selection between cable service and off-the-air broadcast television signals;

(iii) If the subscriber already has switching capability, either in a separate device or as a built-in feature of his/her television receiver, an additional switch may not be needed;

(iv) If the subscriber desires switching capability, he/she may have the cable system install a switch or may obtain a switch from it with written self-installation instructions;

(v) Switching capability may be obtained from other from other suppliers; and,

(vi) For the subscriber's convenience, attach an offer response form to be returned to the cable system's business office.

(5) Comply with the following requirements with respect to antennas:

(i) If an antenna is present, the operator shall not recommend that the antenna be removed;

(ii) If an antenna is not present, the operator shall inform the subscriber that the switch will be operational only if it is connected to an antenna;

(iii) Where the operator installs a switch and an antenna is present, it shall connect the switch to that existing antenna.

(b) Individual cable subscribers are not required to purchase or lease input selector switches from their cable system. Subscribers may obtain such switches from suppliers other than their cable systems. Although cable subscribers are encouraged to establish and maintain independent access to off-the-air broadcast signals, they are not required to do so.

(c) The cable system operator shall provide the following information to each subscriber at the time of installation of cable service and to existing subscribers, in writing, within six months after June 10, 1987, and annually thereafter to all subscribers, using whatever language the operator deems appropriate to convey the following:

(1) Until June 10, 1992, the cable system may not be required to carry all broadcast signals available off-the-air in the community, and that,

(2) After June 10, 1992, the cable system will no longer be required to carry any broadcast signals; and thus,

(3) It may be necessary to use an antenna, in conjunction with an input selector switch, to access broadcast signals available off-the-air and not carried by the cable system;

(4) A description of the function of an input selector switch and state that its purpose is to aid the viewer in preserving independent access to off-the-air television service;

(5) That input selector switches may be obtained from suppliers other than the cable system and that there may be a range of switch options available, such as simple manual cable/broadcast switches, multiple input sources switches, electronic switches, remote control switches, and receivers with built-in switches;

(6) Identify for their subscribers, by call sign and channel number, any full service broadcast signals not carried on the cable system whose predicted Grade B contour covers any portion of the cable community or that are "significantly viewed" in the cable community, as defined in §76.5(k) of the rules (the list of stations must be current to within one month of the distribution of the information required pursuant to this paragraph);

(7) Indicate that questions related to input selector switches should be directed to a specified individual at the cable system and provide a telephone number at which that person can be reached.

8. Section 76.67 is amended by revising paragraph (a) to read as follows:

§76.67 Sports broadcasts.

(a) No community unit located in whole or in part within the specified zone of a television broadcast station licensed to a community in which a sports event is taking place shall, on request of the holder of the broadcast rights to that event, or its agent, carry the live television broadcast of that event if the event is not available live on a television broadcast signal carried by the community unit meeting the criteria specified in §§76.5(ii)(1) - 76.5(ii)(3) of this part. For purpose of this section, if there is no television station licensed to the community in which the sports event is taking place, the applicable specified zone shall be that of the television station licensed to the community with which the sports event or local team is identified, or, if the event or local team is not identified with

any particular community, the nearest community to which a television station is licensed.

* * * * *

9. New Section 76.70 is added to read as follows:

§76.70 Exemption from input selector switch and mandatory signal carriage rules.

(a) Cable systems serving communities where no portion of the community is covered by the predicted Grade B contour of at least one full service broadcast television station or noncommercial educational television translator station operating with 5 or more watts output power and where the signals of no such broadcast stations are "significantly viewed" in the county where the cable community is located shall be exempt from the provisions of §76.66 of this chapter. Cable systems may be eligible for this exemption where they demonstrate with engineering studies prepared in accordance with §73.686 of this chapter and other showings that broadcast signals meeting the above criteria are not actually viewable within the community.

(b) Where, prior to June 10, 1992, a new full service broadcast television station, or a new noncommercial educational television translator station with 5 or more watts, or an existing such station of either type with newly upgraded facilities provides predicted Grade B service to a community served by a cable system previously exempt under paragraph (a) of this section, or the signal of any such broadcast station is newly determined to be "significantly viewed" in the county where such a cable system is located, the cable system at that time is required to comply fully with the provisions of §76.66 of this chapter. Cable systems may retain their exemption under paragraph (a) of this section where they demonstrate with engineering studies prepared in accordance with §73.686 of this chapter and other showings that broadcast signals

meeting the above criteria are not actually viewable within the community.

(c) Where the changed circumstances described in paragraph (b) of this section occur after June 10, 1992, the cable system at that time will be required to comply only with the provisions of §76.66(d) remaining in effect.

10. Section 76.617 is amended by designating the present undesignated text as paragraph (a), and by adding new paragraph (b) to read as follows:

§76.617 Responsibility for interference.

(a) Interference generated by a radio or television receiver shall be the responsibility of the receiver operator in accordance with the provisions of Part 15, Subpart A of this chapter: Provided, however, That the operator of a cable television system to which the receiver is connected shall be responsible for the suppression of receiver-generated interference that is distributed by the system when the interfering signals are introduced into the system at the receiver.

(b) Interference resulting from the use of an input selector switch shall be the responsibility of the switch operator in accordance with the transfer switch provisions of Part 15 of this chapter: Provided, however, That the operator of a cable television system to which the switch is connected shall be responsible for suppression of emissions of RF energy resulting from use of input selector switches that are in excess of the Signal leakage and radiation limits of part 76 of this chapter.

SEPARATE STATEMENT
OF
COMMISSIONER JAMES H. QUELLO
CONCURRING-IN-PART AND DISSENTING-IN-PART

Re: Amendment of Part 76 of the Commission's Rules concerning Carriage of Television Broadcast Signals by Cable Television Systems.

My separate statement to the *Report and Order* stated that the must-carry rules adopted in this proceeding are the very minimum I can support. The petitions for reconsideration and responsive pleadings strengthen my belief that the only reasonable solution to the problems confronting the Commission is a permanent must-carry rule. Thus, while I support the must-carry rules adopted by the Commission in its *Memorandum Opinion and Order,* the legal justifications employed, as well as the sunset provision, constrain me from endorsing wholeheartedly the decision in its entirety.

At the outset, no evidence has been presented causing me to revise my previous observations regarding the geographic monopoly bottleneck of cable systems.[1] Once in-

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[1] Congress recognized the ability of cable to behave as a bottleneck when adopting the Cable Communications Policy Act. While discussing the constitutionality of the Act's access provisions, the House Report said:

> If these [cross ownership rules] are permissible, then surely a less restrictive regulation that does not absolutely ban speech through the cable medium, but requires only some *limited sharing of bottleneck facilities* on a content neutral basis, is also valid. (emphasis supplied)

H.R. Rep. No. 98-934, 98th Congress., 2nd Session, August 1, 1984 at 33. Moreover, the courts have found that cable may be considered a natural monopoly, thereby allowing a city to "offer a de facto exclusive franchise in order to create competition for its cable television market. *See e.g., Central Telecommunications Inc. v. TCI,* 610 F.Supp. 891 (D.C. Mo. 1985). *aff'd* 800 F.2d 711 (8th Cir. 1986), *cert. denied* __U.S. __ (1987)

stalled, cable becomes the gatekeeper for the distribution of video product into the home. Unlike broadcasting, cable has little or no programming accountability to any government authority. I still believe the Commission made a tragic mistake by not appealing the *Quincy* decision.[2] I also believe it was error to stay implementation of the must-carry rules while the reconsideration was pending.[3]

My overall views are set forth in my separate statement accompanying the Commission's *Report and Order.*[4] Because the rules—in particular the input selector switch rules—adopted on reconsideration are different from the rules adopted in August, I believe further explanation of my position is warranted.

I would have preferred the Commission to place greater emphasis on the statutory obligations imposed by Section 307(b) of the Act. Localism is one of the cornerstones of communication policy and should have served as the primary legal basis for the must-carry rules and consumer education requirements. It is obvious the Supreme Court recognizes localism as a substantial government interest,[5]

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[2] *Quincy Cable TV, Inc. v. FCC* 768 F.2d 1434 (D.C. Cir. 1985), *cert. denied sub nom. National Association of Broadcasters v. Quincy Cable TV, Inc.*, 54 U.S.L.W. 3806 (U.S. decided June 9, 1986) (No. 85-502).

[3] *See Order*, FCC 86-575 (released December 24, 1986).

[4] *Report and Order* in MM Docket No. 85-349, 1 FCC Rcd. 864, 912 (1986) (Quello, concurring).

[5] The Supreme Court has stated:

> There can be little doubt that the comprehensive regulations developed over the past twenty years by the FCC to govern signal carriage by cable television systems reflect an important and substantial federal interest. In crafting this regulatory scheme, the Commission has attempted to strike a balance between protecting non-cable households from loss of regular television broadcasting service due to competition from cable systems and ensuring that the substantial benefits provided by cable of increased and diversified programming are secured for the maximum number of view-

a fact recognized by the *Quincy* court.[6] The point of departure in *Quincy* was that the Commission did not, at that time, demonstrate that our 307(b) policies would be at risk absent must-carry rules.[7]

The record in this proceeding demonstrates that must-carry obligations are necessary to maintain the integrity of our allocation scheme and to promote service to the local community.[8] Evidence to support this proposition is

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ers. *See e.g., Cable Television Syndicated Program Exclusivity Rules*, 79 F.C.C.2d, at 744-746. To accomplish this regulatory goal, the Commission has deemed it necessary to assert exclusive jurisdiction over signal carriage by cable systems.

Capital Cities Cable Inc. v. Crisp, 104 S.Ct. 2694, 2708 (1984). *See also National Association of Broadcasters v. FCC*, 740 F.2d 1190, 1198 (D.C. Cir. 1984).

[6] *Quincy Cable TV, Inc. v. FCC*, 768 F.2d at 1454 n. 43.

[7] Writing for the court Judge J. Skelly Wright stated:

> We reiterate that this case has not required us to decide whether, as an abstract proposition, the preservation of free, local television service qualifies as a substantial and important governmental interest. We hold only that in the particular circumstances of this constitutional challenge the Commission has failed adequately to demonstrate that an unregulated cable industry poses a serious threat to local broadcasting and, more particularly, that the must-carry rules in fact serve to alleviate that threat. *Should the Commission move beyond its "more or less intuitive model," as it clearly has the capacity to do, we would be extremely hesitant to second-guess its expert judgment.* As long as it continues to rely on wholly speculative and unsubstantiated assumptions, however, our powerful inclination to defer to the agency in its area of expertise must be tempered by our duty to assure that the government not infringe First Amendment freedoms unless it has adequately borne its heavy burden of justification. That, we have determined, the Commission has not done. (emphasis supplied)

Id. at 1459.

[8] *See* Comments of the Association of Independent Television Stations Inc.; Television Operators Caucus, Inc.; National Association of Broadcasters; and Letter from Senator John C. Danforth, Chairman, Com-

clear and convincing. Since the *Quincy* decision, more than 180 public television stations have been dropped from carriage.[9] The record also demonstrates that numerous commercial stations have been dropped? refused initial carriage or charged exorbitant fees to either secure carriage or maintain the same channel position on cable that they were assigned by the FCC.[10]

The damage to our local allocations scheme is exacerbated when we realize two facts. First, the cable industry has taken extraordinary steps to ensure cable systems do not drop signals or refuse carriage while this proceeding is pending.[11] Second, there are strong competitive incentives for local cable systems to drop or refuse carriage to broadcast stations. The cable industry is aggressively selling commercial time in local markets in competition with local broadcasters. Our decision last August expressly recognizes this fact.[12] I believe the evidence contained in the record reflects merely the tip of the iceberg With regard to the danger to our allocations scheme. Given the competitive incentives To drop local signals—which the *Report and Order* expressly recognizes—I believe we have moved

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mittee on Commerce, Science and Transportation to Honorable Mark Fowler, dated July 22, 1986, at 4.

[9] *See* Opposition of the Corporation for Public Broadcasting, the National Association of Public Television Stations and the Public Broadcasting Service to Petitions for Reconsideration at 11 n. 12, *citing* letter of the National Association of Public Television Stations, Peter M. Fannon, President, January 30, 1987.

[10] *See* Consolidated Opposition of the National Association of Broadcasters to Petitions for Reconsideration Appendix B; Comment Association of Independent Television Stations Inc.

[11] *See* Comments of the Independent Television Association of Independent Television Stations, Inc. at 6, *citing* Address of Edward Allen, Chairman, National Cable Television Association, to the Washington Metropolitan Cable Club, September 18, 1985.

[12] *Report and Order* in MM Docket No. 85-349, 1 FCC Rcd. 2314, 2331 (1986).

far beyond the "more or less intuitive model' criticized by the *Quincy* court.

It is significant that both the *Report and Order* and the *Memorandum Opinion and Order* state expressly that the decision "contributes to 307(b)" objectives by fostering independent access to local off-the-air television.[13] If our policies result in the effective use of A/B (input selector) switch technology, then the decision comports with our 307(b) objectives. However, as I have stated on previous occasions, the efficacy of the A/B (input selector) switch option is doubtful. Furthermore, while I generally agreed with lessening the burden of a mandatory switch requirement, the optional approach adopted by the Commission makes the effectiveness of the A/B (input selector) switch even more questionable. In fact, it is difficult to distinguish the obligations imposed by the new input selector switch rules from the status quo. Subscribers have always had the option to purchase an A/B switch. The only real difference between this decision and the current state of affairs is the consumer education program. Whether the "new awareness" of the need for an A/B switch and outdoor antenna will achieve its intended purpose—independent access of off-air signals—remains questionable.

While I disagree with the majority's conclusions that tend to minimize the magnitude of the threat to our 307(b) policies, the decision today does not abandon this statutory obligation. The decision, in my mind, does not serve as precedent for the proposition that the Commission is no longer concerned with the economic effects of the cable industry on local over-the-air television.[14] Indeed, the con-

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[13] *Memorandum Opinion and Order* at para. 49.

[14] The unbalanced market relationship between cable and broadcasting was a factor in the Commission's decision to propose new syndicated exclusivity rules. *Notice of Inquiry* in General Docket No. 87-24, FCC 87-65, ___FCC Rcd. ___(released April 23, 1987). We observed there that "repeal of the syndicated exclusivity rules may have unduly shifted

sumer education program and the interim rules are designed to facilitate access to *local* broadcast signals. Therefore, the decision in this docket is cast in the context of a perceived lack of harm To our 307(b) policies. The result may be far different if evidence becomes available That cable systems are in fact preventing access to over the air broadcasting.

To the extent the *Memorandum Opinion and Order* can be construed as promoting 307(b) solely by maximizing "consumer choice," then I must disagree. First, absent an effective A/B switching arrangement, the cable, consumer does not have the choice of tuning in a local signal where the cable system has decided to delete the station. The channel simply will not be made available. Second, dropping signals may lead to existing stations going dark or, if payment is required for carriage, drain funds from program acquisition and production. Moreover, uncertainty over carriage hinders the financing of new stations in the market. Together, these factors serve to limit "consumer choices" not only for cable subscribers but also for non-subscribers.

While the ability to choose local broadcast programming is an important component of Section 307(b), the Commission's statutory requirements go beyond merely pro-

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the competitive balance in cable's favor and against other programming outlets." *Id.* at para. 7. Concerns over the market place imbalance between cable and broadcasting were also expressed in our recent decision to examine the compulsory copyright license. *Notice of Inquiry* in General Docket No. 87-25, FCC 87-66, ___FCC Recd. ___(released April 23, 1987). The Commission's concerns with the economic relationships between the two media and its desire to provide a "level playing field" in those proceedings are applicable to the instant docket. In terms of priority, the issue of signal carriage has greater economic significance to local broadcasting than either syndicated exclusivity or the compulsory license.

viding cable subscribers with the freedom to choose.[15] Because broadcasters are obligated by statute to serve their local communities, it is incumbent upon the Commission to ensure those signals are, in fact, accessible.[16] Thus, if the means selected by the Commission to ensure independent off-air access proves ultimately to be ineffective, then the Commission has an obligation to revisit the issue.

Finally, I must take exception to the statement that protecting broadcasting *per se* in furtherance of 307(b) would have the effect of limiting choices. This is simply not true. Such a possibility exists only where the channel capacity of cable systems are so limited as to force a choice between local signals and cable programming. While this may be the case with older small-capacity cable systems, those systems being constructed today are not presented with this dilemma.[17] In fact, there is excess capacity on

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[15] While the majority choose not to emphasize this point, the Commission's decision in Television Deregulation creates an obligation to provide issue responsive programming to its community of license. *Report and Order* in MM Docket No. 83-670, 98 FCC 2d 1076, 1091-92 (1984) *recon. denied* 104 FCC 2d 357 *appeal pending sub nom. Action for Children's Television v. FCC* No. 86-1425 (D.C. Cir., filed July 23, 1986). This obligation stems not only from interpretation of the public interest standard, *See Office of Communications United Church of Christ v. FCC*, 707 F2d 1413, 1429 n. 46 (1983) but also from Section 307(b) of the Act. *Pinellas Broadcasting Company v. FCC*, 230 F.2d 204, 207 *cert. denied* 76 S.Ct. 650 (1956).

[16] It would appear our current regulations requiring a licensee to place a city grade signal over its community of license become somewhat superfluous if a significant percentage of the population subscribes to cable and is unable to receive the licensee's signal. *See* Section 47 C.F.R. Section 73.685(a).

[17] Approximately 88 percent of existing cable systems have channel capacity greater than 20 channels. Fifty-nine percent of existing cable systems have between 30-50 channels. Thirteen percent have a channel capacity above 54 channels *Television and Cable Fact Book: Cable and Services Volume*, No. 54 (1986 Ed.) at A-45.

many of these new cable systems. Problems presented by lack of channel capacity will diminish greatly in the future. As a result, the Commission can further its 307(b) policies without diminishing overall service to the public.[18]

I strongly disagree with the Commission's decision to sunset the must-carry rules. Sunsetting the rules without the benefit of experience with our interim rules and education program is—to put it kindly—premature. Our decision is particularly inappropriate in light of the optional switch rules adopted on reconsideration. While burdensome, the required A/B (input selector) Switch rule adopted last August at least ensured that the switches would be placed in the home. The optional switch rule offers no such assurance. Our new policy seems to argue for a more cautious approach regarding elimination of signal carriage rules.

I fully recognize the importance of balancing First Amendment rights of cable operators with the necessity of protecting our broadcast allocations scheme. When it reviewed our former must-carry rules, the *Quincy* court seized upon both the A/B switch, as a less restrictive alternative to signal carriage obligations, and our failure to determine whether the switch would in fact work.[19] Evi-

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[18] I believe that program choices from nonbroadcast sources, *e.g.*, cable satellite or nonlocal broadcast stations, should not be considered as enhancing our localism objectives. Section 307(b) is applicable only to radio and television broadcasting and does not necessarily apply to these alternate vid.o sources. *See National Association of Broadcasters v. FCC*, 740 F.2d 1190 (D.C. Cir. 1984) (distinguishing DBS service from local broadcasting). Furthermore, I doubt the Commission would want to subject satellite programming to the regulatory regime envisioned by Section 307(b).

[19] Concerning the Commission's assumptions of the efficacy of the A/B switch the *Quincy* Court stated:

> In particular, it has never sought support for the assumptions that are the linchpins of its analysis: (1) that without protective

dence contained in the record demonstrates that while the technology may be sufficient, switches may not be utilized. Therefore, the A/B switch may not, as a practical matter, be a viable alternative. Under the *Quincy* Court's own analysis, signal carriage rules appear to be the most narrowly tailored means of ensuring access to local broadcast signals. Accordingly, I believe a must-carry rule would pass muster under the *O'Brien* standard as articulated by the *Quincy* Court even absent a sunset provision.

I regret that we have not adopted broader and permanent must-carry rules. Nevertheless, I believe the rules adopted today establish a minimum base line for protecting the Commission's localism concerns.[20] The consumer education program and the interim rules are sufficiently tailored to meet the *Quincy* court's requirements. While the principal rationale established by the majority is sufficient to support the interim rules, I believe that the need to promote localism—a goal which my colleagues state is facilitated by the decision—should have been the focal point of our analysis.

I look forward to our oversight of the consumer education program as well as receiving data on the efficacy of the A/B (input selector) switch. I have no doubt that, during the next five years, my colleagues and the Court will come to see the wisdom of a permanent signal carriage rule.

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regulations cable subscribers would cease to view locally available off-the-air television either because they would disconnect their antennas or because the inconvenience of a switching device that would deter them; and (2) that even if some cable subscribers did abandon local television, they would do so in sufficient numbers to affect the vitality of local broadcasting.

Quincy Cable TV, Inc. v. FCC, 768 F.2d at 1457.

[20] *Id.* at 1461.

United States Court of Appeals
FOR THE DISTRICT OF COLUMBIA CIRCUIT

No. 86-1683 **September Term, 1987**

CENTURY COMMUNICATIONS CORPORATION, et al.,
Petitioners

v.

FEDERAL COMMUNICATIONS COMMISSION AND UNITED STATES OF AMERICA,
Respondents

INDEPENDENT TELEVISION STATIONS, INC., SPANISH INTERNATIONAL COMMUNICATIONS CORPS., UNIVISION, INC., THE NATIONAL ASSOCIATION OF BROADCASTERS, LINCOLN BROADCASTING CO., NATIONAL CABLE TELEVISION ASSOCIATION, et al., OFFICE OF COMMUNICATION OF THE UNITED CHURCH OF CHRIST, CORPORATION FOR PUBLIC BROADCASTING, NATIONAL ASSOCIATION OF PUBLIC TELEVISION, PUBLIC BROADCASTING SERVICE, NATIONAL BROADCASTING CO., INC., SPANISH INTERNATIONAL COMMUNICATIONS CORP.,
Intervenors

FILED DEC 11 1987
GEORGE A. FISHER
Clerk

No. 87-1280

RICHARD S. LEGHORN,
Petitioner

v.

FEDERAL COMMUNICATIONS COMMISSION AND UNITED STATES OF AMERICA,
Respondents

United States Court of Appeals
FOR THE DISTRICT OF COLUMBIA CIRCUIT

No. 86-1683 et al. **September Term, 1987**

PAGE TWO

No. 87-1301

HUBBARD BROADCASTING, INC.,
Petitioner

v.

FEDERAL COMMUNICATIONS COMMISSION AND UNITED STATES OF AMERICA,
Respondent

CORPORATION FOR PUBLIC BROADCASTING, et al.,
Intervenors

PETITIONS FOR REVIEW OF ORDERS OF THE FEDERAL COMMUNICATIONS COMMISSION

Before: WALD, Chief Judge, MIKVA, Circuit Judge, and McGOWAN, Senior Circuit Judge.

JUDGMENT

These causes came on to be heard on the petitions for review of orders of the Federal Communications Commission, and were argued by counsel. On consideration thereof, it is

ORDERED and ADJUDGED, by this Court, that the orders of the Federal Communications Commission under review herein are hereby vacated, in accordance with the Opinion for the Court filed herein this date.

Per Curiam
For The Court
/s/GEORGE A. FISHER
George A. Fisher
Clerk

Date: December 11, 1987
Opinion for the Court filed by Chief Judge Wald.